

The Department of Housing and Urban Development: FY2009 Appropriations

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Summary

The FY2009 appropriations process began with President Bush's FY2009 budget request. It included \$39 billion for the Department of Housing and Urban Development (HUD), an increase of 4% in net budget authority from the FY2008 non-emergency level. That requested increase in net budget authority was largely attributable to a decline in the amount available to offset the HUD budget. The President's budget request would have resulted in an overall decline in appropriations for HUD's programs and activities of just over 1% from the FY2008 level.

Despite the request for an overall decline in appropriations for HUD's programs and activities, the President's FY2009 budget did request increased appropriations in several areas, including project-based Section 8 rental assistance, the HOME Investment Partnerships block grant program, and Homeless Assistance grants. The President's FY2009 budget requested reductions in funding for several programs, including the Section 202 Housing for the Elderly program and the Section 811 Housing for Persons with Disabilities program. It proposed eliminating funding for several programs that were funded in FY2008, including the HOPE VI public housing revitalization program, the Brownfields Redevelopment program, Section 108 loan guarantees, and the Rural Housing and Economic Development block grant program. President Bush had also requested no new funding for each of these programs in his FY2004-FY2008 budget requests, although Congress continued to fund them in each of those years.

On June 20, 2008, the Transportation-HUD Subcommittee of the House Committee on Appropriations approved a draft FY2009 Transportation-HUD appropriations bill. The text of that bill was never released. On July 9, 2008, the Transportation-HUD Subcommittee of the Senate Committee on Appropriations approved its version of the FY2009 Transportation-HUD appropriations bill; the bill was approved the following day (July 10, 2008) by the Senate Committee on Appropriations (S. 3261). On September 30, 2009, President Bush signed a continuing resolution funding most government agencies, including HUD, at their FY2008 levels through March 6, 2009 (P.L. 110-329). The CR also provided \$150 million in emergency supplemental assisted housing funds for use in areas affected by the 2005 hurricanes and \$6.5 billion in emergency supplemental CDBG funding to be used to respond to presidentially declared disasters that took place in 2008.

The final FY2009 appropriations legislation was not enacted before the close of the 110th Congress and the end of the Bush Administration. The 111th Congress enacted a second continuing resolution before the expiration of the first, providing funding through March 11, 2009.

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). Among other provisions, the bill contained emergency supplemental FY2009 funding for several HUD accounts.

On March 11, 2009, the regular FY2009 appropriations process was completed when an omnibus appropriations bill was signed into law (P.L. 111-8). It provided \$41.5 billion for HUD, an increase of 10% in net budget authority from the FY2008 non-emergency level.

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Developments

President's Budget and the Budget Resolution

On **February 4, 2008**, President Bush sent his FY2009 budget to Congress. It included \$39 billion for the Department of Housing and Urban Development (HUD).

On **June 4, 2008**, the Senate passed the FY2009 budget resolution conference agreement (H.Rept. 110-659); the House passed it the following day. The budget resolution is used to establish the amount of funding each appropriations subcommittee will have available to allocate. The budget resolution cannot generally be used for determining congressional funding levels for any specific program.¹

House and Senate Consideration

On **June 20, 2008**, the Transportation-HUD subcommittee of the House Committee on Appropriations approved a draft FY2009 HUD appropriations bill by voice vote. According to a press release issued by the subcommittee, the draft bill included the following:

- \$110 million for new incremental vouchers: \$75 million to fund 10,000 new housing vouchers for homeless veterans and \$30 million for 4,000 new housing vouchers for the disabled;
- \$75 million for foreclosure counseling and assistance to assist more than 200,000 families at risk of losing their homes;
- \$1.69 billion for Homeless Assistance Grants (\$55 million above the President's request);
- \$4 billion for Community Development Block Grants (\$1 billion above the President's request);
- \$765 million for housing for the elderly (\$225 million above the Administration's request) and \$250 million for disabled housing (\$90 million above the President's request); and
- \$4.5 billion for the public housing operating account, \$2.5 billion for the public housing capital account, and \$120 million for HOPE VI (combined, \$896 million more than the Presidents' request for the public housing accounts).

(Note: The remainder of this report is not updated to reflect House subcommittee action, as their draft bill was never released.)

On **July 10, 2008**, the Senate Committee on Appropriations approved its version of the FY2009 Transportation-HUD appropriations bill, following subcommittee approval the previous day (S. 3261).

¹ For more information, see CRS Report RL34419, *The Budget for Fiscal Year 2009*, by D. Andrew Austin.

Continuing Resolution, Emergency Funding and Stimulus Legislation

On **September 30, 2008**, President Bush signed a continuing resolution (CR) funding most government agencies—including HUD—at their FY2008 levels (P.L. 110-329). It funded agencies through the earlier of March 6, 2009, or enactment of a final FY2009 funding bill. The CR was included as Division A of a larger bill that also included supplemental emergency funding (Division B) and the Defense, Homeland Security, and Military Construction/Veterans Administration FY2009 full-year appropriations acts (Divisions C-E). It was attached to the FY2008 Homeland Security bill (H.R. 2638) and passed by the House on September 24, 2008, and the Senate on September 27, 2008.

The CR included several additional provisions related to HUD. Specifically, it authorized the Secretary to spend funds at a faster rate in order to ensure the timely renewal of project-based Section 8 contracts, extended the authorization for the HOPE VI program, raised the loan commitment levels for the Federal Housing Administration's (FHA) mortgage insurance programs, and allowed HUD to use salaries and expenses funding to meet FHA's technology needs. Division B of the act provided FY2008 emergency supplemental disaster funding, including:

- \$85 million to provide new Section 8 vouchers to households affected by the 2005 hurricanes;
- \$50 million in new project-based Section 8 vouchers to be used in areas affected by the 2005 hurricanes;
- \$15 million to redevelop public housing developments damaged by the 2005 hurricanes; and
- \$6.5 billion in Community Development Block Grant (CDBG) funding for communities affected by presidentially declared disasters declared in 2008.

On **January 15, 2009**, the House approved its version of H.R. 1, an economic stimulus plan, which included emergency supplemental funding for several HUD programs. The Senate passed its version of H.R. 1 on February 10, 2009. A conference agreement was approved by both houses of Congress on February 13, 2009, and it was signed by President Obama on February 17, 2009 (P.L. 111-5). As enacted, the bill provided over \$13.68 billion in emergency FY2009 funding for HUD programs.

Congress did not enact final appropriations before the expiration of the CR, so a second CR was enacted on **March 6, 2009**. It extended funding through March 10, 2009.

Omnibus Appropriations Legislation

On **March 11, 2009**, President Obama signed the Omnibus Appropriations Act, 2009 (P.L. 111-8) into law. It finished the FY2009 appropriations cycle by funding all agencies that were covered under the CR (including HUD) for the remainder of the 2009 fiscal year. It was passed by the House on February 25, 2009, and the Senate on March 11, 2009.

Introduction to the Department of Housing and Urban Development (HUD)

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts enacted by Congress. HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. These include several programs of rental assistance for the poor, elderly, and/or disabled. Three rental assistance programs—Public Housing, Section 8 Vouchers, and Section 8 project-based rental assistance—account for the majority of the Department's non-emergency funding (more than 75% in FY2008). Two flexible block grant programs, HOME and Community Development Block Grants, help communities finance a variety of housing and community development activities designed to serve low-income families. Other, more specialized, block grants help communities meet the needs of homeless persons, including those with AIDS. In recent years, HUD has also focused more attention on efforts to increase the homeownership rates for lower-income and minority households, with programs providing funding for downpayment assistance and housing counseling.

HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower-income home buyers, many with below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units. FHA collects fees from insured borrowers, which are used to sustain the insurance fund and offset its administrative costs. Surplus FHA funds have been used to offset the cost of the HUD budget.

Table 1 presents total enacted appropriations for HUD over the past five years, including emergency appropriations.

Table 1. Department of Housing and Urban Development Appropriations, FY2004-FY2008

(net budget authority in billions)

| FY2004 | FY2005 | FY2006 | FY2007 | FY2008 |
|--------|--------|--------------------|--------|--------------------|
| 31.20 | 31.92 | 50.68 ^a | 36.63 | 47.66 ^b |

Source: Figures are taken from tables produced by the House Appropriations Committee. Final appropriations levels for any fiscal year include all supplemental appropriations or rescissions. They do not reflect revised estimates of offsetting receipts.

- a. Figure includes \$17.1 billion (\$11.9 billion in P.L. 109-148 and \$5.2 billion in P.L. 109-234) in emergency supplemental appropriations enacted in response to the 2005 hurricanes. Regular FY2006 HUD appropriations totaled just under \$33.6 billion.
- b. Figure includes \$3.22 billion (P.L. 110-116 and P.L. 110-252) in emergency supplemental funding in response to the 2005 hurricanes and \$6.8 billion (P.L. 110-252 and P.L. 110-329) in emergency supplemental funding for 2008 disasters. Regular FY2008 appropriations totaled \$37.64 billion.

Overview and Recent Trends in HUD Funding

HUD's annual funding, or budget authority, is made up of several components, including regular annual appropriations, emergency appropriations, rescissions, and offsets.²

HUD's programs and activities are funded almost entirely through *regular annual appropriations*, also referred to as discretionary appropriations.³ As a result, the amount provided in the annual appropriations acts each year generally determines how much funding will be obligated and eventually spent for each of HUD's programs and activities.

In some years, Congress will also provide *emergency appropriations*, generally in response to disasters, through one or more of HUD's programs. These funds are generally provided outside of the regular appropriations acts—often in emergency supplemental spending bills—and are generally provided in addition to regular program level funding.

Congressional appropriators are generally subject to limits in the amount of new, non-emergency, discretionary appropriations they can provide in a year. One way to stay within these limits is to provide less in regular annual appropriations. Another way to stay within these limits is to find offsets for spending. A portion of the cost of HUD's regular annual appropriations acts is generally offset in two ways. The first is through *rescissions* or cancellations of unobligated or recaptured balances from previous years' funding. The second is through *offsetting receipts and collections*, generally derived from fees paid by HUD partners or clients.

The interaction between new appropriations and offsets provided through rescissions, receipts, and collections, determines HUD's total budget authority. Budget authority is also the "cost" of the HUD budget, as estimated by the Congressional Budget Office in its scorekeeping process.⁴ The total amount of budget authority provided to HUD each year, while important for federal budgeting purposes, is not necessarily the best measure of the amount of funding that is being provided for HUD's programs and activities.

For example, if Congress has increased appropriations for HUD's programs and activities at the same time that offsetting receipts are increasing by a greater amount, then HUD's total budget authority may appear to be declining. Conversely, if Congress has reduced appropriations for HUD's programs and activities at the same time that offsetting receipts are declining by a greater amount, then HUD's budget authority may appear to be increasing. If Congress wished to maintain level budget authority for HUD programs, Congress would increase appropriations if offsets are declining (or, provide less appropriations if offsets are increasing).

As shown by the line in **Figure 1**, total non-emergency budget authority for HUD increased 28% between FY2002-FY2008, from over \$29 billion to just under \$38 billion. However, the increase in total budget authority masks several important trends.

² For more information, see CRS Report RS20095, *The Congressional Budget Process: A Brief Overview*, by James V. Saturno.

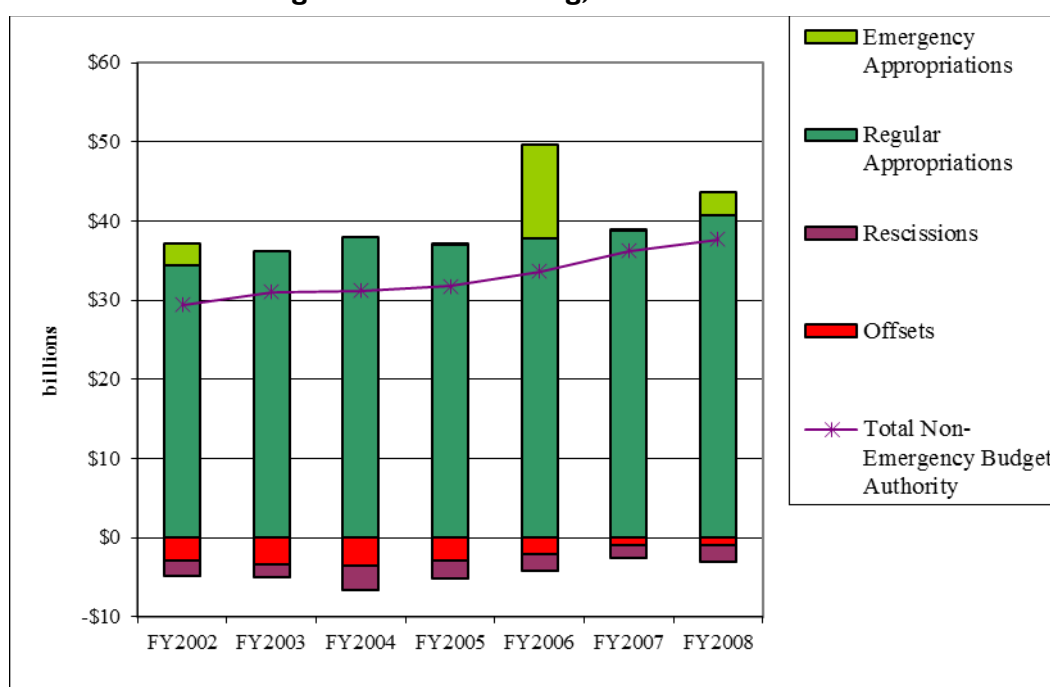
³ According to the Congressional Quarterly's American Congressional Dictionary, discretionary appropriations are defined as appropriations not mandated by existing law and therefore made available annually in appropriation bills in such amounts as Congress chooses. The Budget Enforcement Act of 1990 defines discretionary appropriations as budget authority provided in annual appropriation acts and the outlays derived from that authority, but it excludes appropriations for entitlements.

⁴ According to the Congressional Quarterly's American Congressional Dictionary, scorekeeping is defined as the process of calculating the budgetary effects of pending and enacted legislation and assessing its impact on applicable budgetary targets, as required by the Congressional Budget Act of 1974.

From FY2002 to FY2008, regular annual appropriations, which is the amount available to fund HUD's programs and activities, grew by 20%. During the same period, the amount available in offsetting receipts and collections, which Congress uses to reduce the cost of providing new appropriations, declined by more than 65% (see **Figure 1**). As a result, the increase in total non-emergency budget authority for HUD from FY2002-FY2008 is not fully attributable to increases in appropriations for HUD's programs and activities; rather, part of the increase in total budget authority is attributable to decreases in the amount available in offsetting receipts.

For example, in FY2007, Congress provided \$39 billion in regular appropriations for HUD's programs and activities. Since \$3 billion was available from offsets and rescissions, HUD's total budget authority was \$36 billion. If less had been available in offsets, the cost to Congress of providing \$39 billion in regular appropriations would have been higher.

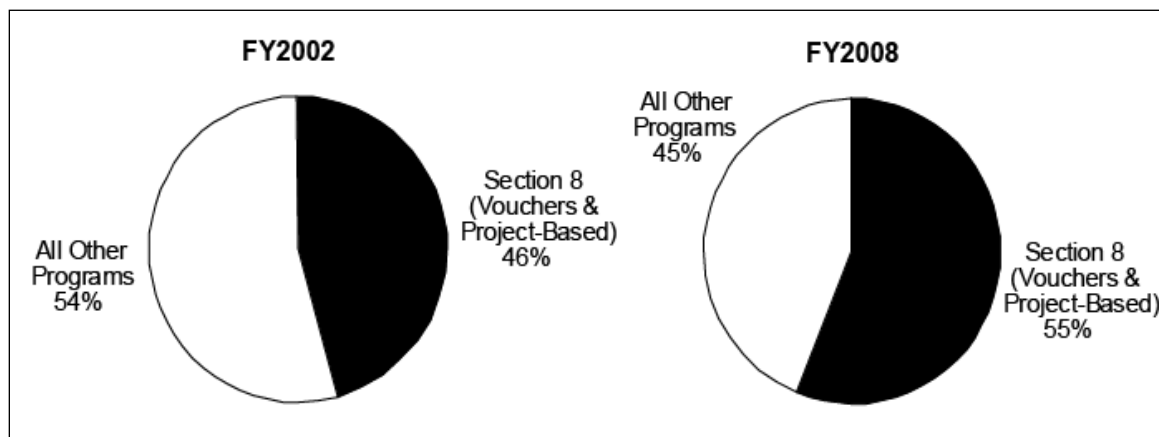
Figure 1. HUD Funding, FY2002-FY2008



Source: Chart prepared by CRS on the basis of annual appropriations documents.

The increase in regular (non-emergency) appropriations shown in **Figure 1** (from just over \$35 billion in FY2002 to over \$40 billion in FY2008) is largely attributable to the growth in appropriations for the project-based and tenant-based Section 8 program. From FY2002-FY2008, appropriations for Section 8 grew by more than 40%; appropriations for all other programs and activities during that period declined by about 4%. As can be seen in **Figure 2**, appropriations for the Section 8 program have grown from about 45% of HUD's regular appropriations in FY2002 to about 55% of HUD's regular appropriations in FY2008.

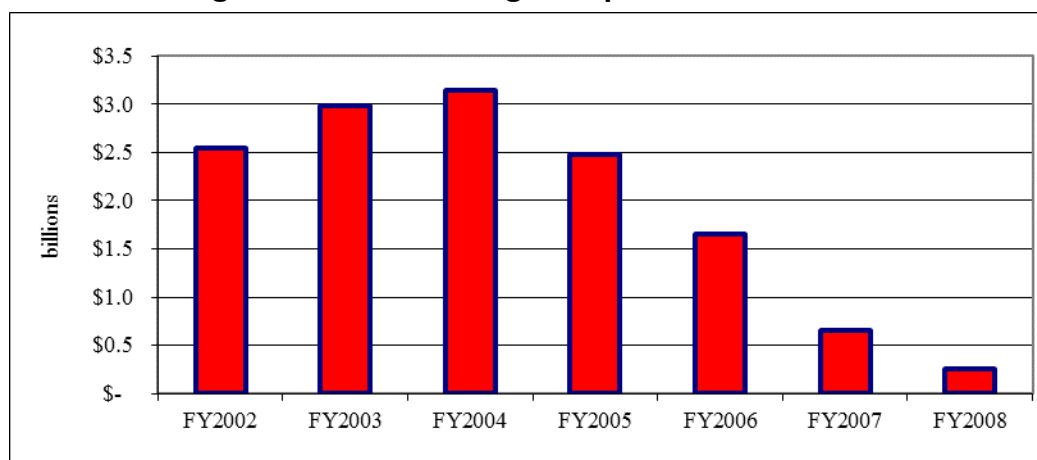
Figure 2. Funding for Section 8 as a Percentage of Total HUD Appropriations, FY2002 and FY2008



Source: Chart prepared by CRS on the basis of annual appropriations documents.

The large decline in offsetting receipts over this period is largely attributable to declines in excess receipts in the Federal Housing Administration's (FHA) mortgage insurance programs (discussed later in this report). As shown in **Figure 3**, from the peak (in FY2004) to the lowest point (in FY2008), the amount of offsetting receipts available from the FHA mortgage insurance program declined by 92%.

Figure 3. FHA Offsetting Receipts, FY2002-FY2008



Source: Chart prepared by CRS on the basis of annual appropriations documents.

FY2009 Appropriations

Table 2 presents President Bush's FY2009 budget request for HUD compared to the prior year's enacted budget authority and the congressional response. Four totals are given in **Table 2**: "budget authority provided" and "available budget authority," both including and excluding emergency appropriations. Total budget authority *provided* includes current year appropriations, plus advance appropriations provided in the current fiscal year for use in the next fiscal year; total *available* budget authority includes current year appropriations, plus advance appropriations provided in the prior fiscal year for use in the current fiscal year. Congress is scored by CBO for

the amount of available budget authority in an appropriations bill; however, the Appropriations Committees' documents often discuss the amount of budget authority provided.

President Bush's FY2009 budget requested a less than 4% increase in total, regular (non-emergency) budget authority for HUD. Following recent trends, the requested increase in budget authority was largely driven by declines in the amount available for rescission (88% decline from FY2008) and projected to be available in offsetting receipts (23% decline from FY2008). The FY2009 request for regular (non-emergency) appropriations—which is the amount of new funding that would be available for HUD's programs and activities—represented a slight decline (1.4%) from FY2008.

The 110th Congress adjourned before work on the FY2009 appropriations acts was complete. In the House, an FY2009 funding bill was marked up in subcommittee, but not reported. (The unreported House subcommittee-passed bill is not reflected in **Table 2** or in the remainder of this report.) In the Senate, a bill was reported by committee, but not considered by the full Senate. Before the end of FY2008, Congress approved a continuing resolution funding most federal agencies at their FY2008 levels through March 6, 2009. That CR was extended through March 11, 2009. On March 11, 2009, a FY2009 omnibus appropriations bill was signed into law, funding HUD for the remainder of the fiscal year (P.L. 111-8). It provides a more than 10% increase in regular, non-emergency appropriations over the FY2008 level. Prior to enactment of the omnibus, Congress enacted a FY2009 supplemental appropriations bill (P.L. 111-6) designed to act as an economic stimulus. It provided nearly \$13.7 billion for HUD programs (see discussion in the **Appendix**).

Table 2. Appropriations: Housing and Urban Development, FY2008-FY2009

(budget authority in billions of dollars)

| Account | FY2008 enacted | FY2009 request | FY2009 Senate | FY2009 Omnibus |
|--|-------------------|-------------------|------------------|-------------------|
| Appropriations | | | | |
| Management and Administration ^a | 1.212 | 1.290 | 1.304 | 1.303 |
| Tenant Based Rental Assistance (Sec. 8 vouchers) (includes advance for subsequent year) | 16.391 | 15.881 | 16.703 | 16.817 |
| Project Based Rental Assistance (Sec.8) (includes advance for subsequent year) | 6.382 | 7.400 | 8.450 | 7.500 |
| Public Housing Capital Fund | 2.439 | 2.024 | 2.444 | 2.450 |
| Public Housing Operating Fund | 4.200 | 4.300 | 4.400 | 4.455 |
| HOPE VI | 0.100 | 0.000 | 0.100 | 0.120 |
| Native American Housing Block Grants | 0.630 | 0.627 | 0.650 | 0.645 |
| Indian housing loan guarantees | 0.007 | 0.009 | 0.009 | 0.009 |
| Native Hawaiian Housing Block Grant | 0.009 | 0.006 | 0.010 | 0.010 |
| Native Hawaiian housing loan guarantees | 0.001 | 0.000 | 0.001 | 0.001 |
| Housing for Persons with AIDS (HOPWA) | 0.300 | 0.300 | 0.315 | 0.310 |
| Rural Housing Economic Development | 0.017 | 0.000 | 0.030 | 0.026 |
| Community Development Fund (including CDBG) | 3.866 | 3.000 | 3.889 | 3.900 |
| Sec.108 loan guarantee; subsidy | 0.005 | 0.000 | 0.006 | 0.006 |
| Brownfields redevelopment | 0.010 | 0.000 | 0.000 | 0.010 |

| Account | FY2008 enacted | FY2009 request | FY2009 Senate | FY2009 Omnibus |
|--|---------------------|---------------------|---------------------|---------------------|
| HOME Investment Partnerships | 1.704 ^d | 1.967 | 1.967 | 1.825 |
| Self-help Homeownership | 0.060 | 0.040 | 0.066 | 0.064 |
| Homeless Assistance Grants | 1.586 | 1.636 | 1.667 | 1.677 |
| Housing for the Elderly (Sec. 202) | 0.735 | 0.540 | 0.765 | 0.765 |
| Housing for Persons with Disabilities (Sec. 811) | 0.237 | 0.160 | 0.250 | 0.250 |
| Manufactured Housing Fees Trust Fund ^c | 0.016 | 0.021 ^b | 0.021 ^b | 0.021 ^b |
| Housing Counseling Assistance ^d | 0.000 | 0.065 | 0.065 | 0.065 |
| Rental Housing Assistance ^b | 0.028 | 0.028 | 0.028 | 0.028 |
| Research and Technology | 0.051 | 0.055 | 0.060 | 0.058 |
| Federal Housing Administration (FHA) Expenses ^c | 0.169 | 0.187 | 0.211 | 0.198 |
| Gov't Nat'l Mortgage Assn. (GNMA) Expenses ^c | 0.000 | 0.000 | 0.000 | 0.012 |
| Fair housing activities | 0.050 | 0.051 | 0.056 | 0.054 |
| Lead Hazard Reduction | 0.145 | 0.116 | 0.145 | 0.140 |
| Working capital fund | 0.155 | 0.224 | 0.200 | 0.224 |
| Inspector General | 0.112 | 0.115 | 0.115 | 0.120 |
| Office of Federal Housing Enterprise Oversight ^c | 0.066 | 0.067 | 0.067 | 0.000 |
| Appropriations Subtotal (Including advances provided in current year for subsequent year) | 40.683 | 40.108 | 43.994 | 43.068 |
| Rescissions | | | | |
| Sec. 8 recaptures (rescission) | -1.250 | 0.000 | 0.000 | 0.000 |
| Economic Developments Initiative rescission | 0.000 | -0.180 | 0.000 | 0.000 |
| Neighborhood Initiatives rescission | 0.000 | -0.026 | 0.000 | 0.000 |
| Rental housing assistance rescission | -0.038 | -0.028 | -0.038 | -0.038 |
| Section 8 Voucher Rescission | -0.723 | 0.000 | -0.800 | -0.750 |
| FHA Rescission | 0.000 | 0.000 | 0.000 | -0.005 |
| Rescissions Subtotal | -2.011 | -0.233 | -0.838 | -0.793 |
| Offsetting Collections and Receipts | | | | |
| Manufactured Housing Fees Trust Fund | -0.016 | -0.016 | -0.016 | -0.016 |
| Office of Federal Housing Enterprise Oversight | -0.066 | -0.067 | -0.067 | 0.000 |
| Federal Housing Administration (FHA) | -0.250 | -0.140 | -0.140 | -0.140 |
| GNMA | -0.163 | -0.170 | -0.170 | -0.193 |
| Legislative Proposals | -0.540 ^e | -0.407 ^f | -0.400 ^g | -0.391 ^h |
| Offsets Subtotal | -1.035 | -0.800 | -0.793 | -0.740 |
| Emergency Funding | | | | |
| Gulf Coast Emergency funding ⁱ | 3.223 | 0.000 | 0.000 | 0.000 |
| 2008 Disasters Emergency CDBG funding ^j | 6.800 | 0.000 | 0.000 | 0.000 |

| Account | FY2008 enacted | FY2009 request | FY2009 Senate | FY2009 Omnibus |
|---|----------------|----------------|---------------|----------------|
| Economic Stimulus Funding (See Note) | 0.000 | 0.000 | 0.000 | See Note |
| Emergency Funding Subtotal | 10.023 | 0.000 | 0.000 | 0.000 |
| Total | | | | |
| Total Budget Authority Provided, excluding Emergency Appropriations | 37.637 | 39.075 | 42.364 | 41.535 |
| Total Available Budget Authority, excluding Emergency Appropriations | 37.672 | 38.833 | 40.572 | 41.293 |
| Total Budget Authority Provided, including Emergency Appropriations | 47.660 | 39.075 | 42.364 | 41.535 |
| Total Available Budget Authority, including Emergency Appropriations | 47.695 | 38.833 | 40.572 | 41.293 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: This table does not reflect the \$13.68 billion in FY2009 emergency funding provided to HUD by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). That funding is discussed in the **Appendix**.

Note: The Transportation-HUD subcommittee of the House Committee on Appropriations approved its version of the FY2009 HUD appropriations bill on June 20, 2008. The subcommittee did not make the bill publicly available, so it is not reflected in this table.

Note: Total budget authority *provided* includes advance appropriations provided in the current fiscal year for use in the subsequent fiscal year; *available* budget authority includes the advance appropriations that were provided in the prior fiscal year for use in the current fiscal year.

- a. Includes funding for several management, personnel, and administrative accounts, including Executive Direction, Administration and Operations Management, and Personnel Compensation and Benefits for the Offices of Public and Indian Housing, Community Planning and Development, Housing, GNMA, Policy Development and Research, Fair Housing and Equal Opportunity, Healthy Homes, and Lead Hazard Reduction.
- b. Includes a general fund payment for the trust fund of \$5.4 million.
- c. Funding for this account is generally offset through collections, receipts, or rescissions shown later in **Table 2**.
- d. In FY2008, funding for housing counseling assistance was provided as a set-aside within the HOME account; for FY2009, the President's budget requested that funding for housing counseling assistance be provided in a separate account.
- e. Includes a proposal to remove the cap on Home Equity Conversion Mortgages and increase the multifamily loan limit.
- f. Includes a proposal to remove the cap on Home Equity Conversion Mortgages, increase the single family loan limit, and funding for a new GSE regulator.
- g. Includes a proposal to remove the cap on Home Equity Conversion Mortgages and increase the single family loan limit.
- h. Includes a proposal to remove the cap on Home Equity Conversion Mortgages.
- i. \$3 billion in CDBG disaster assistance was appropriated in FY2008 by P.L. 110-116 for the state of Louisiana's 2005 hurricane recovery initiatives. P.L. 110-329 provided \$150 million in additional aid for areas affected by the 2005 hurricanes through the public housing program (\$15 million), project-based voucher program (\$50 million), and tenant-based voucher program (\$85 million). P.L. 110-252 provided another \$73 million for areas affected by the 2005 hurricanes; \$50 million for homeless assistance grant funding (through the Shelter Plus Care program) and \$23 million for tenant-based rental assistance. This final amount (\$73 million) was not reflected in the committees' estimates of FY2008 enacted funding that were published in the Congressional Record.

- j. \$6.5 billion in emergency CDBG disaster assistance was appropriated in FY2008 by P.L. 110-329 for areas affected by disasters occurring in 2008. An additional \$300 million in CDBG disaster assistance was appropriated in FY2008 by P.L. 110-252 for the Midwest floods of 2008 and other disaster relief activities. These funds (\$300 million) were not reflected in the committees' estimates of FY2008 enacted funding that were published in the Congressional Record.

Selected Accounts

The following section of the report provides a detailed discussion of the many of the accounts included in **Table 2**.

Tenant-Based Rental Assistance (Section 8 Vouchers)

The tenant-based rental assistance account funds the Section 8 Housing Choice Voucher program. (See CRS Report RL32284, *An Overview of the Section 8 Housing Programs*, by Maggie McCarty.) Section 8 vouchers are portable rent subsidies that low-income families use to reduce their housing costs in the private market. HUD currently funds more than 2 million Section 8 vouchers, which are administered at the local level by quasi-governmental Public Housing Authorities (PHAs). This account—the largest in HUD's budget—funds the cost of those vouchers and the cost of administering the program.

Table 3 presents three totals for the Section 8 tenant-based rental assistance account: budget authority provided; available budget authority, pre-rescission; and available budget authority, post-rescission. As described earlier, total budget authority *provided* includes current year appropriations, plus advance appropriations provided in the current fiscal year for use in the subsequent fiscal year; *available* budget authority includes current year appropriations, plus advance appropriations provided in the prior fiscal year for use in the current fiscal year. In FY2008, Congress enacted a rescission from the advance appropriations provided in FY2007 for use in FY2008. This rescission reduced the total funding available in FY2008. (See expanded discussion below under "Current Appropriations, Advance Appropriations and Rescissions")

Table 3. Section 8 Tenant-Based Rental Assistance (Vouchers), FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|--|-------------------|-------------------|---------------------------|-------------------|
| Total, Section 8 Tenant-Based Rental Assistance (Budget Authority Provided) | 16,391 | 15,881 | 16,703 | 16,817 |
| Total, Section 8 Tenant-Based Rental Assistance (Available Budget Authority, pre-rescission) | 16,426 | 16,039 | 16,661 | 16,975 |
| Total, Section 8 Tenant-Based Rental Assistance (Available Budget Authority, post-rescission) | 15,703 | 16,039 | 15,861 | 16,225 |
| Current Year Budget Authority | 12,233 | 11,881 | 12,503 | 12,817 |
| Advance Appropriation Provided for Next Year | 4,158 | 4,000 | 4,200 | 4,000 |

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---|---------------------|---------------------|---------------------------|---------------------|
| Advance Appropriation Available for Current Year | 4,193 | 4,158 | 4,158 | 4,158 |
| Advance Appropriation Available for Current Year, Less Rescission (see below) | 3,470 | 4,158 | 3,358 | 3,408 |
| Voucher Renewal Funding | | | | |
| Gross FY Budget Authority for Voucher Renewals | 14,695 ^a | 14,327 ^b | 14,827 ^b | 15,200 ^b |
| Rescission from Advance Appropriation | -723 | 0 | -800 | -750 |
| Net Budget Authority for Voucher Renewals | 13,972 ^a | 14,327 ^b | 14,027 ^b | 14,450 ^b |
| <i>Rental subsidy reserve</i> | 50 | 50 | 100 | 100 |
| Other Set-Asides | | | | |
| Administrative fees | 1,351 ^a | 1,400 | 1,450 ^c | 1,450 ^c |
| <i>Additional Fees</i> | 35 | 40 | 50 | 50 |
| Family Self Sufficiency (FSS) Coordinators | 49 | 48 | 50 ^c | 50 ^c |
| Tenant Protection Vouchers | 200 | 150 | 200 | 150 |
| New Incremental Vouchers | 125 | 114 | 134 | 125 |
| Working Capital Fund ^b | 6 | 8 ^b | 8 ^b | 8 ^b |
| Emergency Funding^d | 158 | - | - | - |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

- The Congressional Budget Justifications for FY2009 show gross renewal funding about \$10 million higher than the amount shown here and administrative fee funding about \$10 million less than the amount shown here. It appears that HUD may have transferred approximately \$10 million from administrative fees to renewals in FY2008; however, the Congressional Budget Justifications indicate that the amounts available for calendar year 2008 (the voucher program is funded and administered on a calendar year basis) is equal to the amounts shown in this table.
- President Bush's FY2009 budget proposed changing the treatment of funding for the Working Capital Fund. Rather than treating it as a set-aside within the account, the President's budget proposed to treat it as a transfer, which, presumably, would be taken from the amount available for renewal funding. S. 3261 and the omnibus adopted this proposal. The amounts shown for renewals are not reduced for the Working Capital Fund transfer.
- Funding for FSS coordinators is provided as a set-aside in the funding for administrative fees. The total amount provided for administrative fees is \$1,500 million, with \$50 million for FSS coordinators.
- \$23 million in FY2008 emergency supplemental tenant-based rental assistance funding was provided by in P.L. 110-252. These funds were to be used to provide project-based vouchers for permanent supportive housing in areas affected by the 2005 hurricanes. \$135 million in FY2008 emergency supplemental tenant-based rental assistance funding was provided by P.L. 110-329. \$85 million of these funds are to be used for tenant-based vouchers in areas affected by the 2005 hurricanes; \$50 million of these funds are to be used for project-based vouchers in areas affected by the 2005 hurricanes.

Current Appropriations, Advance Appropriations and Rescissions

The budget authority for the tenant-based rental assistance account is made up of two components: current year appropriations and advance appropriations. Current year appropriations are provided in a fiscal year for use in that fiscal year. Advance appropriations are provided in a fiscal year for use in the subsequent fiscal year. For budget scoring purposes, the Appropriations Committee is charged for an advance appropriation in the year it becomes available for use. Since FY2001, funding for the Section 8 program has included an advance appropriation, and for most years, the advance appropriation was the same amount every year. As a result, the amount of funding that was *provided* in a given year (the current year appropriation, plus the advance for the next year) was equal to the amount of budget authority *available* to the program for that fiscal year (the current year appropriation, plus the advance from the previous year).

In FY2008, the advance appropriation provided by Congress to become available in FY2009 was less than the amount of the advance appropriation that became available in FY2008 (which had been provided in FY2007). As a result, the amount of budget authority *provided* in FY2008 (\$16,391 million) was less than the amount of budget authority *available* to the program in FY2008 (\$16,426 million). Congress was “scored” by CBO for the amount of budget authority *available* in the fiscal year, rather than the amount *provided* by the bill.

FY2008 funding for the tenant-based rental assistance account was further complicated by a rescission that was included in the administrative provisions of the FY2008 appropriations law. Section 238 of Division K (P.L. 110-161) directed that HUD reduce the advance appropriation that was provided in FY2007 for use in FY2008 by \$723 million. This rescission did not affect the amount of budget authority *provided* by the FY2008 funding bill, but it did affect the amount of budget authority *available* to the program in FY2008, reducing it from \$16,426 million to \$15,703 million. This rescission served to lower the CBO “score” for the bill by \$723 million.

In his FY2009 budget request, President Bush requested that Congress again provide less in advance appropriations for the Section 8 tenant-based rental assistance account than will become available in FY2009. The President requested that Congress provide \$4,000 million in advance appropriations for use in FY2010 (a decrease from the \$4,158 million in advance appropriations provided in FY2008 for use in FY2009). In addition to the advance, the President’s budget requested \$11,881 million in current year funding for FY2009.

Combined, President Bush’s request would have resulted in \$16,039 million in *available* budget authority for FY2009 (an increase from the \$15,703 million available post-rescission in FY2008) and \$15,881 million in budget authority *provided* in FY2009 (a decrease from the \$16,391 million provided in FY2008).

S. 3261 would have provided more in current year funding than the President’s request (\$12,503 million, compared to \$11,881 million) and more in advance appropriations for use in FY2010 than the President’s request (\$4,200 million, compared to \$4,000 million). However, S. 3261 also included a rescission of \$800 million from the advance appropriation provided in FY2008 for use in FY2009. As a result, S. 3261 would have made less budget authority *available* for use in FY2009 (\$15,861 million)⁵ than the President requested (\$16,039 million)⁶ but would have made more budget authority *available* in FY2009 than was *available* in FY2008 (\$15,703 million).

⁵ \$12,503 million in current year funding + \$4,158 million in prior year advance appropriations - \$800 million rescission = \$15,861 million available in FY2009.

⁶ \$11,881 million in current year funding + \$4,158 in prior year advance appropriations = \$16,039 million available in

The omnibus appropriations law increased current year funding (\$12,817 million) above the FY2008 level, President Bush's FY2009 request, and S. 3261. It provides \$4,000 million in advance appropriations for use in FY2010, which is the same level President Bush requested, but less than was provided in FY2008 or proposed by S. 3261. While it also includes a rescission (\$750 million) of advance appropriations provided in FY2008 for use in FY2009,⁷ the amount rescinded is \$50 million less than proposed in S. 3261. Combined, the omnibus makes more budget authority *available* for use in FY2009 (\$16,225 million) than was available in FY2008, was requested by President Bush or was included in S. 3261.

Renewal Funding

In FY2008, Congress provided \$14,695 million to renew existing vouchers, but also rescinded \$723 million from advance appropriations intended to be used for renewal funding (as described above). The net funding for renewals in FY2008—\$13,972 million—was intended to be supplemented with agencies' use of their net restricted assets. Net restricted assets are accumulated unspent funds that agencies are not permitted to spend because their use would result in the agency leasing more than their allocated number of vouchers (referred to as overleasing).⁸ In order to enable agencies to spend their net restricted assets, Congress directed HUD to reduce agencies' FY2008 funding by the amount by which their net restricted assets exceeded 7% of their prior year renewal funding (see discussion under "Renewal Formula" heading below). It was estimated that roughly the same amount of net restricted asset funding would be freed up as was rescinded (\$723 million). As a result, it was assumed that the overall funding available for renewals in FY2008 would be equal to just under \$14,695 million (\$13,971 million in appropriations plus \$723 billion in newly freed-up net restricted assets).

For FY2009, President Bush requested \$14,327 million for voucher renewals, an increase over FY2008 (\$13,972 million). HUD's Congressional Budget Justifications indicated that the President anticipated supplementing the amount requested for renewals by "freeing-up" PHAs' remaining net restricted assets, which HUD estimated to be worth roughly \$600 million. Combining the President's requested appropriations level with the \$600 million anticipated to be available from net restricted assets, the FY2009 program level requested by President Bush would have been \$14,927 billion, an increase over the estimated FY2008 program level (\$14,695 million, including the use of \$723 million in net restricted assets), of about \$232 million, or 1.6%. This rate of increase is likely below the annual adjustment factor (AAF), which is the inflation measure that is generally used for calculating PHAs' budgets; in FY2009, the unweighted average AAF is about 3.4%.⁹

S. 3261 proposed a renewal funding strategy similar to the one used in FY2008. The bill would have provided \$14,827 million for renewals but also rescinded \$800 million from the advance appropriation provided in the prior year. The resulting net funding level (\$14,027 million) would have been less than the amount requested by the President for renewals (\$14,327 million). However, the bill assumed that PHAs would have access to their net restricted assets in an amount roughly equal to the amount rescinded, making \$14,827 million available to PHAs for

FY2009.

⁷ See Section 237 of the Administrative Provisions in Title II of Division I.

⁸ PHAs have been prohibited from using excess budget authority to fund vouchers above their allocated baseline—referred to as overleasing—since FY2003.

⁹ Calculated by CRS using FY2009 AAFs, **Table 1**, highest cost utility included. Data available from HUD at <http://www.huduser.org/datasets/aaf.html>.

renewals. This amount would be more than was provided in FY2008 and more than the overall program level proposed by the President (including the use of net restricted assets).

The omnibus adopts the same funding strategy proposed by President Bush and S. 3261, but provides a higher funding level. Specifically, it provides \$15,200 million for renewals, but rescinds \$750 million in renewal funding from the prior year's advance appropriation. That leaves a net funding level of \$14,450 million, which is more than \$400 million greater than the amount proposed by S. 3261 and more than \$100 million greater than the amount requested by President Bush. Combined with the assumed \$750 million in "freed-up" net restricted assets, the omnibus provides a FY2009 program level (\$15,200 million) that is about 3.4% higher than FY2008, and equal to the unweighted average AAF in FY2009 (see footnote 9).

Renewal Formula

One of the most contentious aspects of the HUD budget in recent years has been how Congress directs HUD to allocate voucher renewal funding to PHAs. Although a statutory allocation formula exists, it has been overridden in the annual appropriations acts each year since FY2003. In some years, PHAs have been funded according to the cost of their vouchers and the number of vouchers they have leased (called their utilization rate); in other years, PHAs have been funded on the basis of what they received in the previous year, without adjustments for cost or utilization changes. (For more information, see CRS Report RL33929, *Recent Changes to the Section 8 Voucher Renewal Funding Formula*, by Maggie McCarty.)

In FY2008, Congress directed HUD to fund PHAs on the basis of their costs and utilization from the previous year, adjusted for inflation and other factors. Congress then directed HUD to reduce each PHA's allocation by the amount that their net restricted assets exceeded 7% of their previous year's allocation, and then prorate PHAs' budgets to fit within the amount appropriated (\$13,922 million¹⁰). Some PHAs—PHAs participating in the Moving to Work demonstration, PHAs that spent more than they were allocated in the previous year, certain PHAs affected by the 2005 hurricanes, and PHAs under a HUD receivership—were subject to a different formula. Moving to Work PHAs were funded on the basis of their contracts with HUD; PHAs that spent more than their allocations were funded on the basis of what they received in the previous year, plus inflation; and the others were funded on the basis of the higher of what they received in the previous year (plus inflation), or what they were eligible to receive under the FY2008 funding formula. The prohibition on overleasing was continued in FY2008.

Additionally, Congress provided \$50 million for a rental subsidy reserve that HUD could use to fund PHAs that would either not have enough funding to maintain their current vouchers or that faced high portability costs.¹¹

For FY2009, President Bush requested that PHAs be funded on the basis of what they received in the previous year, plus inflation, reduced by their remaining net restricted assets, and prorated to fit within the amount appropriated. The FY2009 budget request also included a \$50 million rental subsidy reserve to adjust the budgets of PHAs facing unforeseen circumstances or high portability costs. Finally, it proposed allowing PHAs to use excess budget authority to fund additional vouchers above their baseline allocation (overleasing), which, as noted earlier, they have been prohibited from doing since FY2003.

¹⁰ \$13,972 million less the \$50 million rental subsidy reserve.

¹¹ Portability is the term used to describe the process in which a family with a voucher moves from the jurisdiction of one PHA to the jurisdiction of another. In some cases, PHAs can face increased costs due to portability moves.

For PHAs whose costs and utilization remain relatively steady from FY2008 to FY2009, this formula change would have little impact; for PHAs with increases/decreases in costs and/or utilization, this formula change could result in a relative funding decrease/increase from FY2008 to FY2009.

S. 3261 included a renewal funding formula similar to the one used in FY2008. Specifically, PHAs would have been funded on the basis of their costs and utilization from the previous year, adjusted for inflation and other factors, reduced by the amount of net restricted assets they had accumulated (up to \$800 million in aggregate), and prorated to fit within the amount appropriated. The only agencies that would have been funded under an alternate formula would be Moving to Work agencies, who would continue to be funded on the basis of their agreements. S. 3261 would have maintained the prohibition on overleasing.

Of the amount available for renewals, \$100 million would have been set aside to adjust the budgets of agencies (1) with a significant increase in costs due to unforeseen exigencies or portability; (2) with increased leasing between the end of the fiscal year (the period upon which the cost and utilization data are based) and the end of the calendar year (the period for which PHAs are funded); or (3) with low utilization because of vouchers that were set aside for prior, project-based commitments.

The omnibus funding bill directs HUD to fund PHAs using roughly the same formula proposed in S. 3261. It directs HUD to fund PHAs based on their costs and utilization from FY2008, adjusted for inflation and other factors, reduced by the amount of net restricted assets they had accumulated (up to \$750 million in aggregate), and prorated to fit within the amount appropriated. It also includes a \$100 million set aside, which is the same as S. 3261, but contains an extra category of eligible PHAs: those with VASH vouchers (discussed below).

Administrative Fee Formula

Prior to FY2003, administrative fee funding was provided as a part of voucher renewal funding. PHAs were paid administrative fees on a per voucher basis, in an amount based on a formula tied to HUD-established fair market rents (FMRs) in their communities. In FY2003, Congress separated administrative fee funding from voucher renewal funding and directed HUD to provide administrative fees to PHAs on a pro-rata basis, according to what they received in the previous year.

This formula change was maintained until FY2008, when Congress directed HUD to allocate administrative fees to PHAs on the basis of the per voucher formula tied to FMRs that was in use prior to FY2003. However, Congress continued to set-aside a fixed amount of funding for administrative fees (\$1,351 million in FY2008). While more administrative fee funding was made available to PHAs in FY2008 than FY2007, it is estimated that the amount provided in FY2008 would not be sufficient to fund 100% of PHAs administrative fee eligibility under the formula.

For FY2009, President Bush requested an increase in administrative fee funding (by about \$50 million to \$1,400 million). The President's budget request proposed using the same formula for allocating administrative fees as was used in FY2008.

S. 3261 would have provided \$1,500 million for administrative fees. That amount included \$1,400 million for administrative fees, to be allocated using the formula used in FY2008, as requested by the President. Of the remaining \$100 million, \$50 million would have been set aside for PHAs requiring extra funds to administer their vouchers and \$50 million would have been set-aside for Family Self Sufficiency (FSS) coordinators. (FSS coordinators have historically been funded separately from administrative fees.)

The omnibus bill includes the same proposed funding levels for administrative fees in FY2009 as S. 3261.

New Incremental Vouchers

FY2008 was the first year since FY2002 that Congress funded new incremental vouchers. From FY2003 through FY2007, the only “new” vouchers that were funded by Congress were vouchers for families displaced from other forms of housing assistance (called tenant protection vouchers). In FY2008, Congress provided \$125 million to fund new vouchers for homeless veterans (called Veterans Affairs Supportive Housing (VASH) vouchers), non-elderly disabled families, and families in the child welfare system, including youth aging out of foster care (referred to as Family Unification Program, or FUP, vouchers).

In his FY2009 budget, President Bush requested \$39 million to fund incremental vouchers for elderly and disabled families who were displaced by the 2005 hurricanes and whose FEMA-funded rental assistance will be ending in March 2009. He also requested \$75 million for new VASH vouchers.

S. 3261 would have provided \$20 million for FUP vouchers, \$75 million for VASH vouchers, and \$39 million for vouchers for elderly and disabled households displaced by the 2005 hurricanes.

The omnibus appropriations bill provides \$20 million for FUP vouchers, \$75 million for VASH vouchers, and \$30 million for non-elderly disabled households, not directed specifically to households displaced by the 2005 hurricanes.

Project-Based Section 8 Rental Assistance

This account provides funding to administer and renew existing project-based Section 8 rental assistance contracts between HUD and private landlords. Under those contracts, HUD provides subsidies to units owned by private landlords that allow eligible low-income families to live in the units but pay only 30% of their incomes toward rent. No new contracts have been entered into under this program since the early 1980s. When the program was active, Congress funded the contracts for 20–40 year periods, so the monthly payments for landlords came from old appropriations. However, once those contracts expire, if they are renewed, they require new annual appropriations.

Two totals are provided in **Table 4**: budget authority *provided*, which includes advance appropriations provided for use in the subsequent fiscal year; and *available* budget authority, which includes the advance appropriation provided in the prior fiscal year for use in the current fiscal year.

Table 4. Section 8 Project-Based Rental Assistance, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---|---------------------------|---------------------------|------------------------------------|---------------------------|
| Section 8 Project-Based Rental Assistance (Budget Authority Provided) | 6,382 | 7,400 | 8,450 | 7,500 |
| Section 8 Project-Based Rental Assistance (Available Budget Authority) | 6,382 | 7,000 | 6,700 | 7,100 |
| Current Year Appropriations for Contract Renewals | 6,139 ^a | 6,768 ^c | 6,468 ^c | 6,868 ^c |
| Advance Appropriation for Contract Renewals | NA | 400 | 1,750 | 400 |
| Contract Administrators | 239 ^b | 232 | 232 | 232 |
| Working Capital Fund | 4 | 10 ^c | 5 ^c | 10 ^c |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: An additional \$50 million in FY2008 emergency supplemental project-based rental assistance funding was provided by P.L. 110-329. These funds are for use in areas affected by the 2005 hurricanes are not included in this table.

Note: An additional \$2 billion in FY2009 emergency supplemental project-based rental assistance contract renewal funding was provided by P.L. 111-5, American Recovery and Reinvestment Act of 2009. These funds are not included in this table, but are discussed in the text and in the **Appendix**.

- The bill specified that up to this amount is to be made available to fund renewals. This amount could be reduced in order to increase funding for contract administrators (see Table Note b below).
- The bill specified that the Secretary could designate no less than \$239 million and no more than \$286 million for contract administrators.
- The President's FY2009 budget proposed changing the treatment of funding for the Working Capital Fund. Rather than treating it as a set-aside within the account, the President's budget proposed to treat it as a transfer, which, presumably, would be taken from the amount available for renewal funding. S. 3261 and the omnibus appropriations bill adopted this proposal.

Contract Renewal Funding

In July 2007, HUD stopped making monthly payments to project-based Section 8 property owners and suspended renewals of expiring contracts. At the time, HUD stated that they lacked sufficient funding to meet the needs of their existing contracts. Department officials stated that the problem arose because HUD's legal counsel had determined that HUD could no longer obligate partial funding when it entered into a 12-month contract renewal with a property owner, which had been the Department's past practice.

The FY2007 funding level had not been sufficient to all contract renewals for their full 12 month terms. The Office of Management and Budget (OMB) and HUD worked together to identify sufficient funding to resume payments to landlords for the remainder of FY2007 (including

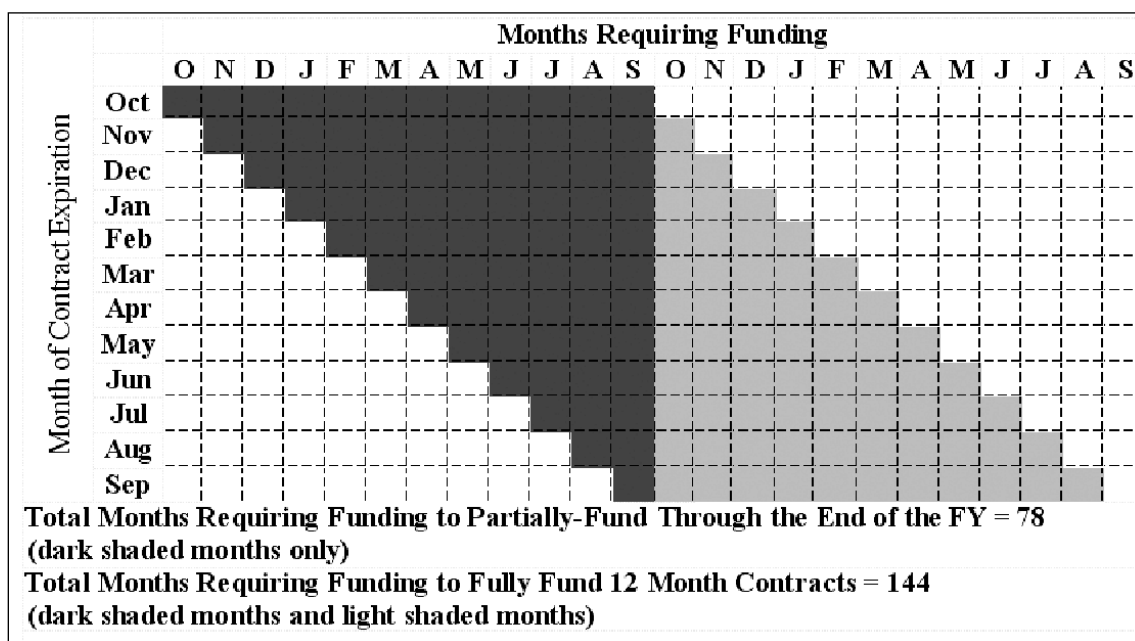
retroactive payments) and HUD modified its contracts with property owners to indicate that funding might not be set aside for the full length of the contract. This practice of short-funding contracts was the subject of a hearing before the House Financial Services Committee. At that hearing, a HUD official testified that HUD's FY2008 funding request would be sufficient to partially fund contracts through the end of FY2008.¹²

Figure 4 helps illustrate the concept of full contract funding versus partial contract funding. Project-based contracts expire throughout the year. When a contract expires, HUD can either provide funding for the full 12-month term of the contract (the light plus dark shaded areas of **Figure 4**) or some shorter period, such as through the end of the federal fiscal year, September 30 (the dark shaded areas of **Figure 4**).

For example, if a contract expires at the beginning of July, in order to fund it through the end of the federal fiscal year (as shown in the dark shaded area in **Figure 4**), HUD would be required to provide 3 months' worth of funding. To fund the contract for a full year, through the following July, HUD would be required to provide 12 months of funding (as shown in the dark and light shaded area in **Figure 4**).

Assuming all of the roughly 18,000 project-based Section 8 contracts expire evenly across the months of the year (which is likely not the case), in order to fund all 18,000 contracts through the end of the fiscal year, HUD would need 78 months worth of funding (see dark shaded area of **Figure 4**). In order to fund all 18,000 contracts for their full 12 month terms, HUD would need 144 months worth of funding (sum of dark shaded and light shaded areas in **Figure 4**).

Figure 4. Illustration of Project-Based Contract Partial Funding



Source: Figure prepared by CRS assuming contracts expire in equal increments over the year.

¹² See transcript from "The Impact of Late Housing Assistance Payments on Tenants and Owners in the Project-Based Rental Assistance Program," hearing before the House Financial Services Committee, Wednesday, October 17, 2007.

For FY2008, Congress provided about \$600 million more for project-based rental assistance than the President requested. That amount of funding was estimated to be sufficient to fund all of the existing contracts through at least the end of the fiscal year, but not sufficient to provide a full 12 months worth of funding for all of the contracts.

For FY2009, President Bush requested \$6,768million for project-based contract renewals and also requested that Congress provide an additional \$400 million in advance appropriations to become available in FY2010. HUD's Congressional Budget Justifications indicated that the amount of current year funding requested would be sufficient to fund all contracts through the end of the 2009 federal fiscal year (September 30, 2009), and that the \$400 million advance would be sufficient to cover the program's payment needs on the first day of the next fiscal year (October 1, 2009). The requested funding level would not be sufficient to fully fund all contracts for 12 months. HUD estimated that it would have needed an additional \$1,900 million to fully fund all contracts for 12 months.¹³

S. 3261 would have provided \$6,468 million in current year funding for project-based contract renewals in FY2009 and \$1,750 million in advance appropriations to become available in FY2010. The total amount provided by S. 3261 for renewals would be \$8,218 million, \$1,050 million more than the President's request. The Senate committee report (S.Rept. 110-418) noted that the increased funding would not be sufficient to fund all contracts for 12 months but would "restore some stability to the program by allowing the Department to enter into longer-term contracts with owners."

The omnibus appropriations bill provides \$7,100 million in current year funding and \$400 million in advance appropriations for use in FY2010 for the project-based rental assistance account. The bill provides a total of \$7,268 million for renewals, \$6,868 million of which is available in FY2009.

In addition to the regular FY2009 funding provided by the omnibus, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) included \$2 billion for project-based contract renewals in FY2009. The amount provided by P.L. 111-5, paired with the regular FY2009 funding level provided by the omnibus, should be sufficient to allow HUD to return to funding project-based renewal contracts on a 12-month basis. (For more information, see the **Appendix**.)

Public Housing

The public housing program provides publicly owned and subsidized rental units for very low-income families. Although no new public housing developments have been built for many years, Congress continues to provide funds to the more than 3,100 public housing authorities (PHAs) that own and maintain the existing stock of more than 1.2 million units. Through the Operating Fund, HUD provides funds to PHAs to help fill the gap between tenants' contributions toward rent and the cost of ongoing maintenance, utilities, and administration of public housing. Through the Capital Fund, HUD provides funding to PHAs for large capital projects and modernization needs. HOPE VI is a competitive grant program that provides funds to help demolish and/or redevelop severely distressed public housing developments, with a focus on building mixed-income communities.

¹³ See transcript from "Fiscal 2009 Budget for the Department of Housing and Urban Affairs," hearing before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, February 13, 2008.

Table 5. Public Housing, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---|---------------------------|---------------------------|------------------------------------|---------------------------|
| Public Housing Operating Fund | 4,200 | 4,300 | 4,400 | 4,455 |
| Operating Subsidies | 4,194 | 4,294 | 4,394 | 4,449 |
| Transition to asset-based management | 6 | 6 | 6 | 6 |
| Public Housing Capital Fund | 2,439 | 2,024 | 2,444 | 2,450 |
| Formula grants ^a | 2,327 | 1,954 ^b | 2,358 ^b | 2,356 ^b |
| Technical assistance/remediation | 12 | 7 | 2 | 10 |
| Administrative/Judicial receivership | 9 | 10 | 9 | 9 |
| Emergency needs | 19 | 0 | 20 ^c | 20 ^c |
| Service coordinators and supportive services (ROSS) | 40 | 38 | 40 | 40 |
| Financial and physical assessments | 15 | 15 | 15 | 15 |
| Working Capital Fund | 17 | 15 ^b | 15 ^b | 15 ^b |
| Emergency Funding | 15 ^d | — | — | See Note |
| HOPE VI | 100 | 0 | 100 | 120 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: An additional \$15 million in FY2008 emergency supplemental public housing capital funding was provided by P.L. 110-329. These funds are for use in areas affected by the 2005 hurricanes and they are not included in the total in this table. An additional \$4 billion was provided by P.L. 111-5. \$3 billion of these funds will be awarded as formula grants and the remaining \$1 billion will be allocated via formula. These funds are not included in the totals for this table, but are discussed in the text and in the **Appendix**.

- a. This amount is not specified in legislation, but is calculated by subtracting the set-asides from the account total. Because several set-asides are specified as "up to" the amount specified, the amount available for formula grants may increase.
- b. The President's FY2009 budget proposed changing the treatment of funding for the Working Capital Fund. Rather than treating it as a set-aside within the account, the President's budget proposed to treat it as a transfer, which, presumably, would be taken from the amount available for formula grants. S. 3261 and the omnibus adopted this proposal. The amounts shown for capital grants is not reduced by the Working Capital Fund transfer.
- c. These funds would be directed to emergency capital repairs, as well as emergency safety and security needs.
- d. P.L. 110-329 provided \$15 million in emergency capital funding for public housing developments affected by the 2005.

Operating Fund Proration

PHAs receive operating funding on the basis of a formula that is meant to make up the difference between what it costs to maintain public housing and what PHAs receive in tenant rents. Each year, HUD estimates PHA budgets on the basis of this formula. HUD then compares the amount of funding PHAs are eligible to receive in aggregate to the amount of funding provided by Congress. If the amount provided by Congress is less than PHAs' aggregate budget eligibility, HUD applies an across-the-board reduction to PHAs' budgets. The percentage of eligible funding

provided to PHAs after applying the across-the-board reduction is referred to as the proration level.

In FY2008, Congress provided \$4,200 million for public housing operating funds, which was sufficient to fund an estimated 84% of PHA budget eligibility.¹⁴ In FY2009, President Bush requested just under \$4,300 million, which HUD's Congressional Budget Justifications estimated would result in a proration level of 81%. S. 3261 would have provided \$100 million more than the President's request and \$200 million more than the amount provided in FY2008. Using the estimates from HUD's Congressional Budget Justifications, the funding level provided by S. 3261 could be estimated to result in a proration level of just under 83%.

The omnibus provides just under \$4,455 for operating subsidies in FY2009. Using updated estimates of operating funding eligibility from HUD,¹⁵ the funding level provided by the omnibus can be estimated to result in a proration level of just under 89%.

Capital Fund

President Bush's FY2009 budget requested a roughly 16% decrease in funding for formula grants under the Capital Fund, compared to FY2008. The amount requested is roughly equal to the estimated \$2 billion in new capital needs that accrue every year in public housing. In addition to new needs, there is an estimated backlog of roughly \$20 billion in unmet capital needs.¹⁶ These estimates of need, however, are more than 10 years old, and the public housing stock has changed significantly during that time, due to demolition and disposition of many units. HUD's Congressional Budget Justifications note that HUD is in the process of undertaking a Capital Needs Assessment in order to estimate the current capital needs of public housing. HUD's Congressional Budget Justifications also note that PHAs can use their capital funding to leverage outside resources to help address unmet capital needs.

S. 3261 would have provided \$2,342 million for capital grants, roughly 21% more than the President's requested funding level and slightly more (<1%) than was provided in FY2008.

The omnibus appropriations bill included \$2,356 billion for capital funding. The amount is more than S. 3261, and is in addition to the \$4 billion in capital funding provided by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). (For more information, see the **Appendix**.)

HOPE VI

In each budget since FY2003, President Bush requested no new funding for the HOPE VI public housing revitalization program. In response, each year, Congress has continued to fund the program. Up until FY2003, the program was generally funded at just under \$600 million; in recent years its funding level has generally been around \$100 million. HUD's FY2009 Congressional Budget Justifications criticized the program for a slow expenditure of grant funds. They also noted that PHAs are able to use their capital fund grants to leverage resources in much the same way HOPE VI grants are used to leverage additional resources, making HOPE VI less necessary. Proponents of HOPE VI cite the program's transformative effects on severely distressed communities. (For additional information, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*, by Maggie McCarty).

¹⁴ See <http://www.hud.gov/offices/pih/programs/ph/am/of/cy2008oblig2.pdf>.

¹⁵ <http://www.hud.gov/offices/pih/programs/ph/am/of/cy2009initialoblig.pdf>

¹⁶ Abt Associates, "Capital Needs of the Public Housing Stock in 1998 Formula Capital Study," January 2000.

S. 3261 would have provided \$100 million for HOPE VI, setting aside \$2 million for technical assistance. It also included language to extend the authorization for the program through the end of FY2009. Authorization for the HOPE VI program is currently slated to sunset at the end of FY2008.

The omnibus provides \$120 million for HOPE VI, setting aside just over \$2 million for technical assistance. It also extends the program through the end of FY2009.

Native American Housing Block Grants

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to simplifying the process of providing housing assistance, the purpose of NAHASDA was to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance. NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHE) for affordable housing activities. Affordable housing activities include any programs currently authorized in law, as well as model activities as approved by HUD.

Table 6. Native American Block Grants, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---|-------------------|-------------------|---------------------------|-------------------|
| Native American housing block grants | 630 | 627 | 650 | 645 |
| Formula Grants | 622 | 621 | 640 ^a | 635 ^a |
| Loan Guarantee (Title VI Credit Subsidy) | 2 | 2 | 2 | 2 |
| Technical Assistance | 4 | 4 | 4 | 4 |
| National American Indian Housing Council ^b | 2 | 0 | 4 | 4 ^c |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: An additional \$510 million in FY2009 emergency supplemental Native American housing block grant funding was provided by P.L. 111-5, the American Recovery and Reinvestment Act of 2009. These funds are not included in this table, but are discussed in the text and in the **Appendix**.

- Amounts estimated by CRS by subtracting funding for set-asides from total Native American housing block grants funding.
- The statutory language provides funding for a national organization that represents Native American housing interests. Typically, this funding has gone to the National American Indian Housing Council.
- The FY2009 omnibus provides \$3.5 million in funding for a national organization that represents Native American housing interests (typically the National American Indian Housing Council). This is \$500,000 less than the amount that S. 3261 would have provided, but is \$1.5 million higher than the amount provided for this purpose in FY2008 and \$3.5 million higher than the amount requested in the President's budget.

The President's budget requested an appropriation of \$627 million in Native American Block Grants for FY2009, a decrease of \$3 million from the level enacted for FY2008. The request included \$2 million in credit subsidy to support about \$17 million in loans under the Title VI program. No set-aside was requested for the National American Indian Housing Council.

The Senate committee recommended an appropriation of \$650 million in Native American Block Grants for FY2009, a \$23 million increase over the budget request and a \$20 million increase over the FY2008 level. As requested by the Budget, the committee recommended \$2 million in credit subsidy that would support up to \$17 million in guaranteed loans. The committee also recommended \$4 million for inspections of Indian housing units, contract expertise, training, technical assistance, oversight, and management.

The FY2009 omnibus legislation provides \$645 million in Native American Block Grants, an increase of \$18 million over the President's request and an increase of \$15 million over the FY2008 enacted level, but \$5 million less than the amount recommended by the Senate committee. This amount includes \$2 million in credit subsidy that would support up to \$17 million in guaranteed loans; \$4 million for inspections of Indian housing units, contract expertise, training, and technical assistance in training, oversight, and management; and \$3.5 million for a national organization representing Native American housing interests to provide training and technical assistance to Indian housing authorities and TDHE.

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) included an additional \$510 million in funding for Native American Block Grants. Half of this amount (\$255 million) is to be distributed to tribes and TDHE according to the formula used in FY2008, and is to be used for new construction, acquisition, rehabilitation (including energy efficiency and conservation), and infrastructure development. The remaining \$255 million is to be distributed to tribes and TDHE through competitive grants, and recipients are to prioritize construction and rehabilitation projects that will create employment for low-income and unemployed persons.

Housing for Persons with AIDS (HOPWA)

The HOPWA program (42 U.S.C. §§12901-12912) provides housing assistance and related supportive services for low-income persons living with HIV/AIDS and their families. Funding is distributed both by formula allocation and competitive grants to states, localities, and nonprofit organizations. (For background, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*, by Libby Perl).

Table 7. HOPWA, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|--|---------------------------|---------------------------|------------------------------------|---------------------------|
| Housing for Persons with AIDS (HOPWA) | 300 | 300 | 315 | 310 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

For FY2009, the omnibus appropriations bill funds HOPWA at \$310 million, which is \$10 million more than the President's request and the FY2008 funding level, but \$5 million less than the amount proposed by the Senate Appropriations Committee in the 110th Congress (S. 3261). The Bush Administration's budget recommended changing the formula used to allocate HOPWA funds to states and localities. Currently the formula uses the cumulative number of AIDS cases in a recipient jurisdiction (including those individuals who have died) to determine how funds are distributed. The method proposed by the President would have used as formula factors the number of persons *living with* AIDS and would have included a housing cost factor to account for

rents in high cost areas. The omnibus appropriations bill does not discuss the President's proposal to change the HOPWA formula.

Office of Rural Housing and Economic Development (RHED)

This office was established to enable HUD to have a comprehensive approach to rural housing and rural economic development issues. The RHED program provides funding for capacity building in rural, under-served areas; and grants for Indian tribes, state housing finance agencies, state and local economic development agencies, rural nonprofits, and rural community development corporations to pursue strategies designed to meet rural housing and economic development needs.

**Table 8. Rural Housing and Economic Development,
FY2008-FY2009**

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|--|---------------------------|---------------------------|------------------------------------|----------------------------|
| Rural Housing and Economic Development | 17 | 0 | 30 | 26 |
| Economic Development Assistance for Federally Recognized Indian Tribes | 0 | 0 | 12 | 5 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

As in previous years, the Bush Administration's FY2009 budget requested no funding for RHED. The Administration argued that if its proposed revisions of the Community Development Block Grant program (CDBG) are enacted, the needs of America's rural communities will be addressed through the state CDBG program, the HOME program, and through the U.S. Department of Agriculture (USDA) rural housing programs.

The Senate committee recommended an appropriation of \$30 million for RHED for FY2009, which is \$13 million more than the FY2008 level. The committee noted that the Office plays an important role in HUD's community development activities and that the RHED programs are sufficiently different from the housing programs administered by the USDA to warrant separate appropriations.

The committee noted its concern about the high rates of unemployment and poverty experienced by Native Americans and stated that it believes that it is critical to give federally recognized Indian tribes the resources and tools that will enable them to promote economic development, create jobs, and increase housing capacity. Therefore the committee recommended that \$12 million of the increased RHED funds be used for conducting economic development and entrepreneurship activities for federally recognized Indian tribes.

For FY2009, the omnibus provides \$26 million for RHED. Of this amount, \$5 million must be made available to promote economic development and entrepreneurship for federally-recognized Indian tribes.

Community Development Fund/Block Grants

The Community Development Fund (CDF) account supports activities undertaken through the Community Development Block Grant (CDBG) program. In addition, the CDF has funded other community development-related programs in past years, including the Economic Development Initiatives (EDI) and Neighborhood Initiative (NI) demonstrations.

**Table 9. Community Development Fund (CDF):
Community Development Block Grants (CDBG)
and Related Set-Asides, FY2008-FY2009**

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|--|--------------------------|-------------------|---------------------------|--------------------|
| CDF | 3,866 | 3,000 | 3,889 | 3,900 |
| CDBG Formula Grants | 3,586 | 2,927 | 3,586 | 3,642 ^d |
| Insular Areas | 7 | 7 | 7 | — ^d |
| Indian CDBG | 62 | 57 | 65 | 65 |
| Technical Assistance | 3 | 5 | 5 | 5 |
| Working Capital | 2 | 3 | 3 | 3 |
| Economic Development Initiative Earmarks (EDI) | 180 | 0 ^a | 201 | 165 |
| Neighborhood Initiative Earmarks (NI) | 26 | 0 ^a | 22 | 20 |
| CDBG Disaster Recovery Grants | | | | |
| Emergency Funding—Louisiana Road Home | 3,000^b | 0 | 0 | 0 |
| CDBG Disaster Recovery Grants | | | | |
| Emergency Funding—2008 Disasters | 6,800^c | 0 | 0 | 0 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: This table does not reflect the \$3 billion in emergency funding provided to HUD by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), including \$1 billion for formula grants and \$2 billion for Neighborhood Stabilization Program funds. That funding is discussed in the **Appendix**.

- a. The President's FY2009 budget requested that Congress cancel the EDI and NI earmark funding provided in FY2008.
- b. \$3 billion in CDBG disaster assistance was appropriated in P.L. 110-116 for Louisiana's Road Home Program.
- c. \$300 million in CDBG disaster assistance was appropriated in P.L. 110-252 for the Midwest floods of 2008 and other disaster relief activities and \$6.5 billion in CDBG disaster assistance was appropriated in P.L. 110-329 for 2008 disaster recovery.
- d. \$7 million for insular areas of American Samoa, Guam, Marianas, and the Virgin Islands included in CDBG formula grant total.

President Bush's FY2009 budget recommendation of \$2,927 million for the formula portion of CDBG was \$659 million (18.4%) less than the \$3,586 million appropriated for distribution to communities and states in FY2008. In addition, the President's FY2009 budget request stated that the Administration would seek to reform the CDBG program during the 110th Congress by again offering Congress a proposal that was first unveiled during the 109th Congress, namely, the

Community Development Block Grant Reform Act. The Bush Administration proposal, which would have restructured the CDBG distribution formula, included the following changes:

- replacement of the existing dual CDBG formula with a single weighted formula that would target assistance on the basis of a community's or state's share of households living in poverty (excluding college students), the number of female-headed households with minor children, the number of overcrowded housing units, and the number of housing units 50 years or older occupied by low-income families and per capita income;
- a requirement that entitlement communities would have to meet a minimum grant threshold in order to receive a direct annual allocation;
- a two-year transition for communities that no longer met the minimum grant threshold amount; and
- a new \$200 million bonus grant program called Economic Development and Revitalization Challenge Grants to reward entitlement communities whose programs resulted in improved living conditions in distressed neighborhoods.¹⁷

In addition to requesting reduced funding for CDBG formula grants, the Administration's FY2009 budget proposed eliminating funding for several other community development related programs, including Rural Housing and Economic Development Grants, Community Development Block Grant Section 108 loan guarantees, and Brownfields Economic Development Initiatives. The budget characterized these programs as duplicative of the activities funded by the CDBG formula grant program.

S. 3261, as reported to the Senate on July 14, 2008, recommended an appropriation of \$3,889 million for Community Development Fund activities in FY2009. This included \$3,586 million for formula-based allocations to 1,173 entitlement communities and the 50 states and Puerto Rico, the same amount appropriated for FY2008, but \$659 million more than requested by the Bush Administration. The Senate Appropriations Committee also recommended \$201 million in EDI assistance to be allocated to 192 congressionally designated projects for an average award of just over \$1 million. For FY2008, approximately 820 projects were awarded \$180 million in EDI funds for an average allocation of approximately \$220,000.

For FY2009, the omnibus legislation provides \$3,900 million for the Community Development Fund, including \$3,642 million for CDBG formula grants. The amount appropriated for formula grants when combined with the \$1 billion in additional funding appropriated under the American Recovery and Reinvestment Act (P.L. 111-5) results in a 21% increase in formula allocations awarded to the 1,162 entitlement communities, the 50 states and Puerto Rico. In addition, the omnibus appropriates \$165 million for Economic Development Initiative grants for 510 earmarked projects, and \$20 million in Neighborhood Initiative grants for 27 earmarked projects.

CDBG Section 108 Loan Guarantees

The Section 108 loan guarantee program allows states and entitlement communities to leverage their annual CDBG allocation in order to help finance brownfield¹⁸ redevelopment, large scale

¹⁷ The proposal may be viewed at <http://www.hud.gov/content/releases/pr06-056act.pdf>. Under Section 7(b) of the draft proposal, the Challenge Grant Program would be funded as a set aside within the total appropriated for CDBG formula grant activities. For FY2009, funding of Challenge Grant activities is contingent upon passage of CDBG formula reforms drafted by the Administration. The Administration's proposed CDBG Reform Act, including creation of the Challenge Grant Program, was not formally introduced in the 110th Congress.

¹⁸ See discussion under Brownfields Economic Development Initiative heading later in this report.

economic development, and housing projects. CDBG entitlement communities and states are allowed to borrow an amount equal to as much as five times their annual CDBG allocation for qualifying activities.

As security against default, states and entitlement communities must pledge their current and future CDBG allocations.

Table 10. CDBG Section 108 Loan Guarantees, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|------------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|
| Section 108 Loan Guarantees | 5 | 0 | 6 | 6 |
| <i>Loan commitment ceiling</i> | 205 | 0 | 275 | 275 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

The Bush Administration's budget did not request funding for the Section 108 loan guarantee program for FY2009. Citing the results of its Program Assessment Rating Tool (PART), which found the program was duplicative and that results were not demonstrated, the Bush Administration recommended the program be terminated.¹⁹

The Senate Appropriations Committee recommended \$6 million in subsidies to support \$275 million in Section 108 loan guarantee commitments. This is a slight increase above the amount appropriated in FY2008. For FY2009, consistent with the Senate's recommendation, the omnibus legislation appropriates \$6 million in subsidies in support of \$275 million in Section 108 loan guarantee commitments. In addition, the omnibus includes a general provision (Sec. 222 of Title III) that clarifies a previous practice allowing non-entitlement jurisdictions to access a state's Section 108 loan guarantee program, and requires HUD to promulgate regulations governing this provision within 60 days of enactment of the legislation.

Brownfields Economic Development Initiative

The Brownfields Economic Development Initiative program is a competitive grant program that provides funds to assist communities with the redevelopment of abandoned, idled, and underused industrial and commercial facilities where expansion and redevelopment are burdened by real or potential environmental contamination. The funds are used in support of CDBG Section 108 loan guarantees and may be used in collaboration with brownfield-related funding by the Environmental Protection Agency.

¹⁹ The PART assessment may be viewed at <http://www.whitehouse.gov/omb/expectmore/summary/10009066.2007.html>.

Table 11. Brownfields Redevelopment, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|---------------------------|---------------------------|---------------------------|------------------------------------|----------------------------|
| Brownfields Redevelopment | 10 | 0 | 0 | 10 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

The Bush Administration's FY2009 budget—as in previous years—recommended termination of the Brownfields Redevelopment program. The Senate Appropriations Committee-approved bill did not include funding for brownfield redevelopment activities. For FY2009, the omnibus legislation appropriates \$10 million for the brownfields redevelopment account and includes a provision prohibiting brownfield funds from being used as collateral for Section 108 loan guarantees.

The HOME Investment Partnerships Program

Created in 1990, the HOME Investment Partnerships Program provides formula-based block grant funding to states, units of local government, and insular areas to fund affordable housing initiatives. Eligible activities include acquisition, rehabilitation, and new construction of affordable housing, as well as rental assistance for eligible families. The HOME program account has also been used to fund related programs. The American Dream Downpayment Initiative (ADDI), created in 2003 (P.L. 108-186), funds HOME grantees to provide downpayment, closing cost, and rehabilitation assistance to first-time home buyers.

Housing counseling assistance, which has typically been funded within the HOME account, is authorized under Section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448). HUD provides competitive grants to local housing counseling agencies, intermediaries, and state Housing Finance Agencies to provide several categories of housing counseling, including comprehensive counseling, counseling services that address predatory lending, counseling in conjunction with HUD's Homeownership Voucher Program, counseling services that specifically target colonias (rural communities on the U.S.-Mexico border), and Home Equity Conversion Mortgage counseling.

Table 12. The HOME Investment Partnerships Program, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---------------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|
| HOME (total) | 1,704 | 1,967 | 1,967 | 1,825 |
| Formula grants ^a | 1,628 | 1,903 | 1,938 ^b | 1,809 ^b |
| American Dream Downpayment Initiative | 10 | 50 | 10 | 0 |
| Technical assistance | 13 | 10 | 15 ^c | 12 ^c |
| Housing counseling assistance | 50 | ^d | ^d | ^d |
| Working capital fund transfer | 3 | 4 | 4 | 4 ^c |

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| Housing Counseling | d | 65 | 65 | 65 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: An additional \$2.25 billion in FY2009 emergency supplemental HOME funding was provided by P.L. 111-5, the American Recovery and Reinvestment Act of 2009. These funds are not included in this table, but are discussed in the text and in the **Appendix**.

Totals may not add due to rounding.

- a. Includes funding for insular areas.
- b. Estimated by CRS by subtracting funding for set-asides from total HOME account funding.
- c. This is the maximum amount of funding that may be used for this purpose; the actual amount may be less.
- d. The FY2009 budget proposed funding housing counseling at \$65 million in a separate account. In past years, funding for housing counseling has been provided as a set-aside within the HOME program. S. 3261 would have funded housing counseling in a separate account, as requested by the President. The 2009 omnibus legislation does the same.

HOME Formula Grants

President Bush's FY2009 budget requested a \$275 million increase in funding for HOME formula grants over the FY2008 funding level. HUD's Congressional Budget Justifications identify the HOME program as key to the President Bush's goal of increasing homeownership opportunities, especially for minorities. They also cite the program's relatively strong rating from the Office of Management and Budget's (OMB) Program Assessment and Rating Tool evaluation. According to HUD's Congressional Budget Justifications, OMB found that the program "has a clear purpose, strong management, and can demonstrate results."

S. 3261 would have provided \$1,937 million for formula grants, just under 2% more than the President's requested level and a nearly 19% increase over the FY2008 level.

The 2009 omnibus legislation provides \$1,809 million for formula grants, nearly 5% less than the President's requested level but over 11% more than the FY2008 level.

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) included \$2.25 billion in emergency FY2009 funding for the HOME account. These funds are to be distributed to states based on the amount of HOME formula funding that each state and its participating localities received in FY2008. However, states are required to use this funding to provide gap financing for Low-Income Housing Tax Credit (LIHTC) projects, rather than for the full range of housing activities that are usually eligible uses of HOME funds.

American Dream Downpayment Initiative (ADDI)

President Bush's budget requested a 400% increase in funding for ADDI, from \$10 million in FY2008 to \$40 million in FY2009. The program was originally authorized through the end of FY2007 at \$200 million per year, although it has never been funded at more than \$86 million.

The program was slated to sunset at the end of FY2007, but it was continued through FY2008 by the FY2008 appropriations law. The President's FY2009 budget requested language to extend the program through FY2011.

S. 3261 would have provided \$10 million for ADDI, an amount equal to the FY2008 funding level. The bill included language to extend the authorization for ADDI, as requested by the President.

The 2009 omnibus legislation includes neither funding for ADDI nor language extending its authorization.

Housing Counseling

In each of the past several years, President Bush requested that Congress provide funding for housing counseling assistance in a separate account, and each year, Congress had continued to fund it as a set-aside within the HOME account. For FY2009, the President's budget again requested that housing counseling be funded separately from HOME, at \$15 million more than it was funded in FY2008. HUD's Congressional Budget Justifications cite the housing counseling program's ability to aid troubled homeowners during the current period of increased mortgage defaults and foreclosures as the reason behind the request for increased funding.

S. 3261 would have funded housing counseling in a separate account, at the President's requested level (\$65 million). The 2009 omnibus legislation adopted this recommendation.

Self-Help and Assisted Homeownership Opportunity Program

This account funds the Self-Help Housing Opportunity Program (SHOP) program and several set-asides. Through the SHOP program, HUD provides grants to national and regional organizations and consortia that have experience in providing or facilitating self-help homeownership opportunities. Prospective home buyers with the assistance of volunteers provide "sweat equity" by contributing labor toward the construction of their homes.

**Table 13. Self Help Homeownership Opportunities,
FY2008-FY2009**

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|---|---------------------------|---------------------------|------------------------------------|----------------------------|
| Self Help Homeownership Opportunities | 60 | 40 | 66 | 64^a |
| Self Help Homeownership (SHOP) | 27 | 40 | 27 | 27 |
| Technical Assistance | 0 | <1 | 0 | 0 |
| Capacity Building Comm. Dev. and Affordable Housing ^a | 34 | 0 | 35 | 34 ^b |
| Housing Assistance Council | ^c | 0 | 4 | 4 |
| National American Indian Housing Council | ^d | 0 | 0 | 0 |
| National Council of La Raza | ^e | 0 | 0 | 0 ^f |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

a. Includes language directing that up to \$5 million of the total amount appropriated be used to support capacity building activities in rural areas.

b. Includes unspecified amount of funding for LISC, Enterprise Foundation, and Habitat for Humanity. Of the total amount, \$5 million is for rural capacity building.

- c. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$3 million.
- d. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$1 million.
- e. Funds included in CDF's Neighborhood Initiative subaccount with a funding level of \$1 million.
- f. Funds included in the CDF's Neighborhood Initiative subaccount with a funding level of \$950,000.
- g. Amounts may not add up due to rounding.

President Bush's FY2009 budget requested \$40 million for the SHOP program, including just under \$1 million for technical assistance. The President's budget did not include funding for Section 4 (capacity building) grants. These grants are usually awarded to four national intermediaries—National Community Development Initiative (Living Cities), the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity. Recipients use the funds to develop the capacity and ability of local community development corporations and community housing development organizations to develop and manage community development and affordable housing projects and programs.

S. 3261, as reported by the Senate Appropriations Committee, recommended an appropriation of \$66 million for the Self-Help Homeownership Opportunities account. This is \$6 million more than appropriated for FY2008 and \$26 million more than requested by the Bush Administration. The bill included \$35 million for capacity-building grants to be awarded to the Enterprise Foundation, the Local Initiative Support Corporation, and Habitat for Humanity. This is \$1 million more than appropriated in FY2008. The bill would also have appropriated \$4 million to be awarded to the Housing Assistance Council for capacity-building activities in rural areas.

The omnibus legislation appropriates \$64 million for self-help homeownership opportunities, including \$26.5 million for SHOP, which is expected to leverage \$7 million from other sources; \$34 million for capacity building activities carried out by the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity; and \$4 million for activities of the Housing Assistance Council.

Homeless Programs

Homeless Assistance Grants is the blanket title given to four homeless programs authorized by the McKinney-Vento Homeless Assistance Act (P.L. 100-77) and administered by HUD. Three of the four programs are competitive grants: the Supportive Housing Program (SHP), the Shelter Plus Care program (S+C), and the Section 8 Moderate Rehabilitation Assistance for Single Room Occupancy Dwellings program (SRO). Funding for the fourth HUD program, the Emergency Shelter Grants (ESG), is distributed via a formula allocation to states and local communities. The Homeless Assistance Grants are codified at Title 42, Chapter 119, Subchapter IV of the U.S. Code. (For more information about the Homeless Assistance Grants, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Distribution of Funds*, by Libby Perl).

Table 14. HUD Homeless Programs, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|-----------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|
| Homeless Assistance Grants | 1,586 | 1,636 | 1,667 | 1,677 |
| Formula and Competitive Grants | a | 1,622 | a | a |
| Technical Assistance/Data | 8 | 8 | 8 | 8 |

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|--|-------------------|-------------------|---------------------------|-------------------|
| Working Capital Fund | 2 | 3 | 3 | 3 |
| Rapid Re-Housing Demonstration Program | 25 | 3 ^b | 0 | 0 |
| Demonstration Program for the Prevention of Homelessness Among Veterans | 0 | 0 | 10 | 10 |
| Research on Homelessness Issues | 0 | 0 | 3 | 3 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

Note: As part of the American Recovery and Reinvestment Act (P.L. 111-5), Congress appropriated \$1.5 billion for homelessness prevention and rapid re-housing. These funds are not included in the table. For more information, see the **Appendix**.

- a. Amount is not specified.
- b. The \$3 million proposed by the President for the Rapid Re-Housing Demonstration Program was to fund an evaluation of the program.

Funding levels for the Homeless Assistance Grants have increased steadily since FY2005, from \$1,230 million in that year to \$1,586 million in FY2008. For FY2009, the omnibus appropriations legislation provides \$1,677 million for the grants, an increase of \$91 million over the FY2008 appropriation and \$41 million more than was requested by the President for FY2009. The Senate Appropriations Committee bill in the 110th Congress (S. 3261) had proposed to fund the Homeless Assistance Grants at \$1,667 million. Unlike the President's budget request, which proposed to set aside \$50 million for a Samaritan initiative to provide permanent supportive housing for chronically homeless individuals, the omnibus does not set aside funding for this purpose.

The omnibus appropriations bill provides \$10 million for a demonstration program for the prevention of homelessness among veterans. Under the demonstration program, HUD is to collaborate with the Department of Veterans Affairs (VA) and the Department of Labor (DOL) to provide funding to a limited number of urban and rural sites, which in turn are to provide housing and services to veterans who are at risk of homelessness or are temporarily homeless. At least three sites selected for the demonstration are required to have a high number of service members separating from the military and transitioning to civilian life, and at least four sites are to be in rural areas where access to VA medical centers and other services may be limited. The omnibus bill also provides \$3 million "to conduct research on homeless issues, including homeless prevention and youth homelessness."

In addition to funds for the Homeless Assistance Grants, the omnibus legislation (like S. 3261 and the President's budget) provides \$75 million for Section 8 vouchers for homeless veterans (see discussion of new incremental vouchers under Section 8 tenant-based rental assistance). Funding for these vouchers is provided through the Section 8 tenant-based account and not through the Homeless Assistance Grants. About 1,800 of these vouchers were initially provided for homeless veterans through a collaboration between HUD and the VA called HUD-VA Supported Housing, or HUD-VASH. Approximately 1,000 of these vouchers are still used by veterans today. In FY2008, Congress appropriated \$75 million for HUD-VASH, which funded 10,070 new

vouchers. (For more information about HUD-VASH, see CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.)

Housing Programs for the Elderly and Persons with Disabilities

Formerly known together as Housing for Special Populations, the Section 202 Housing for the Elderly program (12 U.S.C. §1701q) and the Section 811 Housing for Persons with Disabilities program (42 U.S.C. §8013) provide capital grants and ongoing project rental assistance contracts (PRAC) to developers of new subsidized housing for these populations. In addition, the Section 811 program provides vouchers for tenants with disabilities to use in the private housing market. The Housing for the Elderly appropriation includes funds for the Service Coordinator program and the Assisted Living Conversion program. (For more information about Section 202, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents*, by Libby Perl, and for more information about Section 811, see CRS Report RL34728, *Section 811 and Other HUD Housing Programs for Persons with Disabilities*, by Libby Perl).

Table 15. Sections 202 and 811, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|--|---------------------------|---------------------------|------------------------------------|---------------------------|
| Housing for the Elderly (202) | 735 | 540 | 765 | 765 |
| New Capital Grants and PRAC | a | 321 | a | a |
| PRAC Renewals and Amendments | a | 96 | a | a |
| Service Coordinators | 60 | 80 | 80 | 90 |
| Grants for Conversion to Assisted Living | 25 | 25 | 25 | 25 |
| Pre-development Grants | 20 | 0 | 20 | 20 |
| Working Capital Fund | 1 | 2 | 2 | 2 |
| Leveraged Financing Demonstration | 0 | 15 | 15 | 0 |
| Technical Assistance to Improve Grant Applications | 0 | 2 | 2 | 2 |
| Housing for Persons with Disabilities (811) | 237 | 160 | 250 | 250 |
| New Capital Grants and PRAC | a | 30 | a | a |
| PRAC Renewal and Amendments | a | 32 | a | a |
| New Mainstream Vouchers | a | 0 | a | 0 |
| Mainstream Voucher Renewal | 75 | 87 | 87 | 87 |
| Working Capital Fund | 1 | 2 | 2 | 2 |
| Leveraged Financing Demonstration | 0 | 10 | 10 | 0 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

a. Amounts not specified.

Section 202

The FY2009 omnibus appropriations bill appropriates \$765 million for the programs that provide housing and services for elderly households (defined by HUD as those with a member age 62 or older). This amount exceeds the President's request by nearly \$200 million and is \$30 million more than was provided in FY2008. The Senate Appropriations Committee bill in the 110th Congress (S. 3261) had recommended the same funding level as the omnibus legislation. Of the total provided by the omnibus appropriations bill, \$90 million is allocated for the Service Coordinator program, an increase of \$10 million over both the President's request and the amount in S. 3261, and \$30 million more than was appropriated for the program in FY2008. The omnibus funds the Assisted Living Conversion program at \$25 million, the same amount that was provided in FY2008, as well as requested by the President and the Senate Appropriations Committee for FY2009.

The FY2009 omnibus appropriations bill does not provide funding for a leveraged financing demonstration program, which was proposed by the President for the second year in a row and was also included in the Senate Appropriations Committee's bill. The proposed program would have provided \$15 million for HUD to work together with private sector professionals to increase the use of mixed financing arrangements, such as incorporating Low Income Housing Tax Credits, to develop Section 202 housing. The House Explanatory Statement accompanying the omnibus appropriations bill states that "the bill does not include funding for a mixed finance demonstration program as requested, but encourages the Department to use its substantial authority under existing law to streamline the ability of project sponsors to leverage other public and private sources of capital financing, including the low income housing tax credit."

The omnibus legislation includes language similar to language that was included in the Senate Appropriations Committee bill to make a change to the refinancing provisions of the statute governing the Section 202 program. Under current law, Section 202 owners may refinance their properties if they agree to operate the project under terms at least as advantageous to tenants as the terms of the existing loan *and* if the refinancing results in a lower interest rate and reduced debt service. Under the FY2009 omnibus appropriations bill, owners may also refinance loans with interest rates at or below 6% in order to address a property's physical needs (and do not need to refinance into a loan with a lower interest rate and reduced debt service). These refinancing transactions for loans with interest rates at or below 6% also have several other requirements:

- The transactions have to meet a cost benefit analysis;
- The transactions cannot result in increased costs for project-based Section 8 rental assistance except under certain circumstances;
- With the approval of HUD, owners can raise tenant rents in order to meet increased debt service and operating costs if insufficient project-based Section 8 rental assistance is available to meet these costs. However, HUD's approval of increased tenant rents "shall be the basis for the owner to agree to terminate the project-based rental assistance contract," which triggers tenant eligibility for enhanced Section 8 vouchers;

- When tenants who have received enhanced vouchers as a result of refinancing terminate their occupancy, those units become eligible for project-based Section 8 rental assistance; and
- Owners have to enter into a use agreement to maintain affordability of units for 20 years beyond the maturity date of the original Section 202 loan.

The FY2009 omnibus appropriations bill (like the Senate Appropriations Committee bill and the President's request) appropriates \$2 million for technical assistance for the Section 202 and Section 811 programs to improve grant applications and to facilitate the development of housing. In addition, the House Explanatory Statement includes language directing HUD to establish a Section 202 and a Section 811 funding allocation for the State of Nevada. These provisions were also included in the Senate Appropriations Committee Report (S.Rept. 110-418).

Section 811

The FY2009 omnibus appropriations legislation provides \$250 million for the Section 811 program. This is \$90 million more than was proposed by the President's budget and approximately \$13 million more than was appropriated in FY2008. The Senate Appropriations Committee bill in the 110th Congress (S. 3261), like the omnibus, proposed to provide \$250 million for Section 811. The omnibus appropriations bill does not fund new Section 811 vouchers for persons with disabilities, although it provides \$87 million to renew existing vouchers. The President's budget and Senate Appropriations Committee bill included similar proposals.

As with the Section 202 program, the omnibus bill does not fund the President's proposed leveraged financing demonstration program. President Bush's budget proposed to make \$10 million available for this program to encourage mixed finance developments for persons with disabilities.

Federal Housing Administration

The FHA administers a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement, as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts: the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. The GI/SRI fund provides insurance for more risky home mortgages, for multifamily rental housing, and for an assortment of special-purpose loans such as hospitals and nursing homes. (For more information, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by Bruce E. Foote and Katie Jones).

Table 16. Federal Housing Administration, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|---|---------------------------|---------------------------|------------------------------------|----------------------------|
| Net Total FHA Appropriations | (81) | 47 | 71 | 64 |
| Net Appropriations, MMI | 77 | 126 | 140 | 141 |

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY 2009 Omnibus |
|-----------------------------------|-------------------|-------------------|---------------------------|--------------------|
| Total Expenses | 77 | 116 | 140 | 141 |
| Offsetting receipts | 0 | 0 | 0 | 0 |
| Programs moved from GI/SRI | NA | 10 | 0 | 0 |
| Net Appropriations, GI/SRI | (158) | (79) | (69) | (77) |
| Total Expenses | 92 | 71 | 71 | 63 |
| Offsetting receipts | (250) | (140) | (140) | (140) |
| Move programs to MMI | NA | (10) | 0 | 0 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

In past years, receipts to the MMI fund have exceeded expenses, so the MMI fund did not need appropriations for credit subsidy. The FY2009 Budget estimated that, if no programmatic changes were made, the MMI fund would need either credit subsidy or increases in insurance premiums to continue operation. The Budget proposed to permit FHA to set insurance premiums on the basis of the risk that the borrowers pose to the insurance fund, and it proposed to set the rate at a level that would avoid the need for subsidy appropriations. Barring the authority to establish risk-based premiums, the Budget proposed that FHA would use its existing authority to increase the insurance premiums charged to borrowers. The Budget assumed that the increased premiums coupled with legislative and programmatic changes would avoid the need for credit subsidy appropriations.

Legislative changes proposed in the budget included reform of the FHA single family insurance program to enable FHA to be more flexible in responding to changes in the mortgage market, and to provide a lower cost alternative to borrowers who might otherwise choose subprime mortgage products or even become the victims of predatory lending. The Budget proposed to move several single-family programs from the GI/SRI fund to the MMI fund. The Budget proposed that no new loan insurance would be provided to households using seller-financed downpayments to meet their downpayment requirements. Several of these proposals were included in P.L. 110-289, the Housing and Economic Recovery Act of 2008. (For more information on the changes enacted for FHA please see CRS Report R40243, *The FHA Modernization Act of 2008*, by Bruce E. Foote.)

The Budget and S. 3261, as passed by the Senate Appropriations Committee, recommended a commitment limitation of \$185 billion for the MMI fund. The Budget requested a commitment limitation of \$35 billion for the GI/SRI fund, while the Senate Committee recommended a commitment limitation of \$45 billion.

The committee report (S.Rept. 110-418) suggested that, in the wake of the present housing crisis, FHA must reestablish itself as America's mortgage lender. The committee suggested that FHA work to ensure that families are able to purchase and stay in their homes with affordable loans that they fully understand. The committee directed HUD to provide a report to the Committee on Appropriations within 90 days on the proper role of HUD and to establish an Office of Predatory Lending. Working in conjunction with the Department of Justice, the new office would establish rules and requirements to protect the public from fraud and abuse in housing loans.

The omnibus permits FHA to insure up to \$315 billion in mortgages during FY2009. This is a 70% increase over the \$185 billion approved for FY2008.

By statute, the aggregate number of Home Equity Conversion Mortgages (HECMs) that have been insured by FHA since inception of the program may not exceed 275,000. The number of HECMs has frequently exceeded that number. The FY2009 Omnibus Appropriations Act provides that, despite the limit in present law, FHA may continue to insure HECMs through September 30, 2009.

Government National Mortgage Association (Ginnie Mae)

Ginnie Mae is the entity within HUD that guarantees the timely payment of principal and interest on securities backed by mortgages insured or guaranteed by FHA, the Department of Veterans Affairs (VA), or the Rural Housing Service.

**Table 17. Government National Mortgage Association,
FY2008-FY2009**

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|--------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|
| Net Appropriation | (163) | (170) | (170) | (181) |
| Administrative Expenses | a | b | b | 12 ^b |
| Legislative Proposal | NA | [43] | 0 | 0 |
| Offsetting Receipts | (163) | (170) | (170) | (193) |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

- a. The FY2008 appropriations act funded GNMA expenses in the department-wide salaries and expenses account at \$8.25 million.
- b. The President's FY2009 budget request proposes to continue to fund GNMA expenses in the department-wide salaries and expenses account at \$8.56 million. The Senate bill and omnibus adopted this proposal and provided \$10 million for GNMA in the salaries and expense account.

Legislative Fee Change

For FY2009, budget proposed an administrative provision which would bring all of Ginnie Mae's administrative contract expenses under discretionary authority. This change is estimated to cost \$43 million, which would be offset in the first year by savings from eliminating HUD's mandatory authority to fund these expenses. The Senate committee did not assume this change in the accounts, and it was not included in the FY2009 Omnibus Act.

The omnibus legislation permits Ginnie Mae to guarantee up to \$300 billion in home loans during FY2009. This a 50% increase over the \$200 billion authorized in FY2008. As noted, FHA is authorized to insure up to \$315 billion in home mortgages during FY2009. Most FHA-insured loans become securitized into mortgage-backed securities guaranteed by Ginnie Mae. So the increased authorization of Ginnie Mae guarantees is being made to facilitate the increase in FHA-insured loans.

Research and Technology

The Office of Policy Development and Research (PD&R) at HUD is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on housing and community development issues. The Research and Technology account funds PD&R's core research activities including program evaluations and housing and community development-related surveys such as the American Housing Survey and the Survey of New Home Sales and Completions. The R&T account was expanded in FY2006 to fund Section 107 University Partnerships, which were previously funded as set-asides within the CDF account. Section 107 grants are awarded to institutions of higher education to assist them in building partnerships with the residents of communities in which they are located with the objective of fostering and supporting neighborhood development and revitalization.

Table 18. Research and Technology, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---|---------------------------|---------------------------|------------------------------------|---------------------------|
| Research and Technology | 51 | 55 | 60 | 58 |
| Core Research and Technology | 23 | 41 | 30 | 0 |
| Partnerships for Advancing Technology in Housing (PATH) | 5 | 0 | 5 | 0 |
| Section 107 Grants/ University Partnerships | 23 | 14 | 23 | 23 |
| <i>Historically Black Colleges & Universities</i> | 9 | 5 | 9 | 9 |
| <i>Hispanic-Serving Institutions</i> | 6 | 4 | 6 | 6 |
| <i>Community Development Work Study</i> | 0 | 0 | 0 | 0 |
| <i>Alaskan Native and Native Hawaiian- Serving Institutions</i> | 3 | 2 | 3 | 3 |
| <i>Tribal Colleges and Universities</i> | 5 | 2 | 5 | 5 |
| <i>Community Outreach Partnership</i> | 0 | 0 | 0 | 0 |
| Tenant-based housing voucher study | 0 | 0 | 2 | 1 |
| Technology Directly Related to Disaster-Prone Areas | 0 | 0 | 0 | 2 |
| Unspecified | 0 | 0 | 0 | 32 ^a |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

a. Activities to be funded with appropriated amount not specified in the omnibus.

For FY2009, the Bush Administration requested \$55 million for research and technology (R&T) activities. The request, if approved by Congress, would have increased funding for R&T activities by 6% ; \$3 million more than the \$51 million appropriated in FY2008. This would have been achieved by increasing the amount available for core research activities by 45% from \$28 million in FY2008 to \$41 million for FY2009. The proposed increase in core research funding would have been offset by a proposed 41% decrease in funding for Section 107 university-based community development programs (University Partnerships). Under the Bush Administration's

budget request, funding for these programs would have declined from \$23 million to \$14 million for FY2009.

As approved by the Senate Appropriations Committee, S. 3261 recommended \$60 million for activities under the Research and Technology account. This was \$9 million more than appropriated in FY2008 and \$5 million more than requested by the Administration. The \$60 million included \$23 million in grants for university-based community development grants, which is the same amount appropriated in FY2008 and \$9 million more than requested by the Administration. The bill also included \$2 million to finance a study of the cost necessary to administer the tenant-based housing voucher assistance program. The committee report (S.Rept. 110-418) noted that the committee proposed denying HUD broad demonstration authority, noting that the committee believed HUD has used this authority in the past to administer new and unauthorized programs. S. 3261 would have made future demonstrations subject to prior congressional approval.

The FY2009 omnibus legislation includes \$58 million for research and technology to remain available until September 30, 2010, including \$23 million for Section 107 University Partnerships. In addition, the legislation includes \$32 million in unspecified appropriations, as well as language restricting HUD's authority to undertake new initiatives without congressional authorization. Similar concerns were articulated in the report accompanying the Senate bill.

Fair Housing

The Office of Fair Housing and Equal Opportunity enforces the Fair Housing Act and other civil rights laws that make it illegal to discriminate in the sale, rental, or financing of housing on the basis of race, color, religion, sex, national origin, disability, or family status. This is accomplished through the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to state and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. It provides grants on a non-competitive basis. FHIP provides funds for public and private fair housing groups, as well as state and local agencies, for activities that educate the public and housing industry about the fair housing laws.

Table 19. Fair Housing Programs, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus |
|---------------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|
| Fair Housing | 50 | 51 | 56 | 54 |
| Fair Housing Assistance | 26 | 25 | 24 | 24 |
| Fair Housing Initiatives | 24 | 26 | 29 | 28 |
| Translations | >1 | 0 | >1 | >1 |
| Protection from Mortgage Rescue Scams | — | — | 2 | 2 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

President Bush's FY2009 budget requested \$51 million for the fair housing programs, an increase of \$1 million over the FY2008 level. The Senate committee recommended an appropriation of \$56 million, a \$6 million increase over the level appropriated for FY2008.

The Budget requested \$25 million for FHAP, whereas the Senate committee recommended \$27 million for the program. The Budget requested \$24 million for FHIP and proposed to use some of it for a Housing Discrimination Study. The Senate committee recommended over \$28 million for FHIP, an increase of over \$4 million from the FY2008 enacted level. The committee directed that \$2 million of the increased funds be used solely to assist in the protection of the American public from mortgage rescue scams. The committee did not fund or authorize the Housing Discrimination Study proposed in the budget request.

The FY2009 Budget did not propose continued funding for the program that creates and promotes the translation of materials to assistance persons with limited English proficiency, while the Senate Committee recommended \$500,000 in funding.

The FY2009 Omnibus Act funds the fair housing programs at \$54 million in FY2009, a \$4 million increase over the FY2008 level. Of that increase, \$2 million will be for efforts to assist in protecting the public from mortgage rescue scams.

Lead-Based Paint Hazard Reduction

The Office of Lead Hazard Control at HUD administers both the Lead-Based Paint Hazard Control Grant Program and the Healthy Homes Initiative (HHI). Under the Lead-Based Paint Hazard Control Grant Program, HUD is authorized to make grants to states, localities, and Native American tribes to conduct lead-based paint hazard reduction and abatement activities in privately-owned low-income housing. Under the Healthy Homes Initiative, HUD conducts a number of activities designed to identify and address housing-related illnesses.

Table 20. Lead-Based Paint Hazard Control, FY2008-FY2009

(in millions of dollars)

| | FY2008 Enacted | FY2009 Request | FY2009 Senate Comm. | FY2009 Omnibus^a |
|--------------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------------------|
| Office of Lead Hazard Control | 145 | 116 | 145 | 140 |

Source: Prepared by CRS on the basis of tables provided by the Appropriations Committee, the President's FY2009 Budget documents, HUD Congressional Budget Justifications, S. 3261, S.Rept. 110-418, H.R. 1105 and adjusted for emergency funding provided by P.L. 110-116, P.L. 110-252, and P.L. 110-329.

- a. This total does not include the \$100 million in emergency supplemental funding for the Lead Hazard Reduction program provided in P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA). These provisions of ARRA are discussed in the **Appendix**.

The FY2009 budget requested a total of \$116 million for the programs under the Office of Lead Hazard Control, a reduction of \$29 million from the FY2008 appropriation.

The Senate committee recommended an appropriation of \$145 million, the same as the FY2008 level. The committee noted that lead poisoning remains a serious childhood environmental condition and that significant lead risks remain in privately owned housing, particularly in unsubsidized low-income units. The committee encouraged HUD to work with grantees on its lead-based paint abatement hazards programs so that information is disclosed to the public on lead hazard abatements, risk assessment data, and blood lead levels through publications and internet sites.

The Omnibus funds the office at \$140 million for FY2009, a \$5 million decrease from the FY2008 level. The lead hazard program would be funded at \$125.4 million and the Healthy Homes Initiative would be funded at \$14.6 million. Please note that this does not include the \$100 million authorized in ARRA. That is discussed in the **Appendix**.

Office of Federal Housing Enterprise Oversight (OFHEO)

OFHEO was the office within HUD that was responsible for regulating the safety and soundness of Fannie Mae's and Freddie Mac's operations. The appropriations for OFHEO were completely offset by fees collected from Fannie Mae and Freddie Mac. For FY2009, the Budget and the Senate committee recommended an appropriation of over \$66 million, an increase of \$600,000 over the FY2008 appropriation.

The omnibus does not provide any funding for OFHEO. The Housing and Economic Recovery Act of 2008, P.L. 110-289, created the Federal Housing Finance Agency (FHFA) as an independent agency of the federal government and gave FHFA supervisory and regulatory authority over Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The act abolished OFHEO.

Appendix. HUD Funding in the American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed by President Obama on February 17, 2009 (P.L. 111-5). Division A of the law provides supplemental emergency appropriations for the stated purposes of (1) job preservation and creation; (2) promoting economic recovery; (3) assisting those most impacted by the recession; (4) providing investments needed to increase economic efficiency by spurring technological advances in science and health; (5) investing in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and (6) stabilizing state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases. (For more information on economic stimulus, see CRS Report R40104, *Economic Stimulus: Issues and Policies*, by Jane G. Gravelle, Thomas L. Hungerford, and Marc Labonte.)

The bill provided over \$300 billion in emergency supplemental appropriations. Of that amount, \$13.68 billion (about 4.4%) was provided to HUD. Some of the funding was provided to existing HUD accounts, some was provided to existing programs funded through existing accounts, and some was provided for new programs. The funding provisions are described below.

Table A-1. Summary of HUD Funding in P.L. 111-5

(in millions of dollars)

| Accounts/Programs | FY2009 Supplemental Funding | Allocation Information |
|--|-----------------------------|---|
| Public Housing Capital Fund | 4,000 | \$3 billion allocated via existing formula; \$1 billion allocated competitively |
| Native American Housing Block Grants | 510 | \$255 million allocated via Indian Housing Block Grant formula; \$255 million allocated competitively |
| Community Development Fund/CDBG and NSP | 3,000 | \$1 billion allocated via existing CDBG formula to grantees that received funding in FY2008; \$2 billion allocated competitively through the Neighborhood Stabilization Program with states, units of local government, nonprofits and consortia of for-profits/non-profits eligible to apply |
| Homelessness Prevention Fund/Emergency Shelter Grants | 1,500 | Allocated via existing Emergency Shelter Grants formula (the same as the CDBG formula) |
| Assisted Housing Stability and Energy and Green Retrofit Investments | 2,250 | \$2 billion allocated for project-based contract renewals, as needed by the Secretary; \$250 million for grants/loans for energy retrofits, presumably allocated competitively |
| Home Investment Partnerships Program | 2,250 | \$2.25 billion allocated to states using the HOME formula |

| Accounts/Programs | FY2009 Supplemental Funding | Allocation Information |
|---|-----------------------------|--|
| Office of Lead Hazard Control and Healthy Homes | 100 | Allocated first to qualified applicants who applied to receive funds in 2008 but did not receive funds, with any remaining funds to be awarded along with 2009 fund via an application process |
| Office of Inspector General | 15 | Internal to HUD |

Source: Table prepared by CRS based on P.L. 111-5.

Public Housing Capital Fund

ARRA provided \$4 billion for supplemental grants to PHAs for public housing capital needs. Of that amount, \$1 billion was set aside for competitive grants and HUD was directed to allocate the remaining \$3 billion using the regular public housing capital fund formula. HUD announced the formula allocations a week after the bill was signed into law. PHAs are directed to give priority to capital projects that can award contracts based on bids within 120 days and they are directed to give priority consideration to the rehabilitation of vacant rental units and capital projects that are already underway or included in their five-year capital fund. These funds are provided in addition to the regular FY2009 formula funds. ARRA directs HUD to award the remaining \$1 billion competitively, “for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.”

Native American Housing Block Grants

ARRA provided \$510 million for Native American Housing Block Grants. Half of this amount (\$255 million) will be distributed to Indian tribes and tribally-designated housing entities (TDHE) according to the same funding formula used in FY2008.²⁰ The Secretary of HUD must obligate these funds within 30 days of ARRA’s enactment. Recipients must use the funds for new construction, acquisition, rehabilitation (including energy efficiency and conservation), and infrastructure development, and must prioritize projects that can be awarded contracts within 180 days of the funds being made available to the recipient.

The remaining \$255 million provided for Native American Housing Block Grants will be distributed as competitive grants to tribes and TDHE. The Secretary has until September 30, 2009, to award funding, and must prioritize construction and rehabilitation projects that will create employment for low-income and unemployed persons. Recipients of competitive funding must obligate the funds within one year of the date of receiving funding, spend 50% within two years of the date of receiving funding, and spend 100% within three years of the date of receiving funding.

Community Development Fund

ARRA appropriated an additional \$1 billion in CDBG funds to be allocated to CDBG entitlement communities and states that were eligible for funding in FY2008 using the program’s current formulas. Given the statute (42 U.S.C. 5306) governing the distribution of CDBG funds, ARRA will allocate the proposed \$1 billion in additional appropriations as follows:

²⁰ For information about how the formula-based Native American Housing Block Grant funding appropriated by ARRA will be distributed, see HUD’s website at <http://www.hud.gov/recovery/native-american-formula.cfm>.

- \$10 million to Indian tribes;
- \$693 million to entitlement communities; and
- \$297 million to states.

For entitlement communities and states, the additional \$1 billion in appropriations represents a 21% increase in FY2009 appropriations.

ARRA requires funds to be awarded to state and local governments within 30 days of enactment, and directs grant recipients to give priority in the allocation of funds to projects that could be under contract within 120 days of the grantee's receipt of funds. CDBG funds will remain available for obligation until September 30, 2010. The law also includes a provision (Sec. 12001) that would require each state to certify that it will maintain its effort (funding level) with regard to the types of projects funded by the appropriations. Of potential interest to Members conducting oversight on the use of ARRA, the provision references only states as being required to meet this standard, excluding local governments that are also direct recipients of CDBG funds.²¹

In addition to providing \$1 billion for CDBG funds, ARRA provides an additional \$2 billion for Neighborhood Stabilization Program (NSP) activities. NSP funds allow states and selected local governments to acquire, rehabilitate, and sell abandoned and foreclosed housing to eligible low to middle income households. NSP funds under the omnibus are to remain available until September 30, 2010. Recipients are required to spend at least half of the funds within two years of allocation, and 100% within three years of the date funds become available. These funds are in addition to the \$3,920 million in NSP funds previously appropriated under the Housing and Economic Recovery Act (HERA) of FY2008 (NSP 1). Unlike NSP 1 funds appropriated under HERA, which were allocated to states and a limited number of local governments based on a formula that considered the number and percentage of homes in foreclosure, delinquent payment status, and in default, the NSP funds under ARRA (NSP 2) will be allocated competitively. Non-profits as well as consortiums of non-profit and for-profits will be able to compete for funds against government entitlement communities. This raises a number of policy and administrative issues, including whether HUD will have the administrative capacity to effectively implement and monitor the three divergent grant programs (the regular CDBG program, the formula-based NSP 1 program and the competitive NSP 2 program), as well as CDBG-related disaster grants. Will HUD require that non-profits participating in the NSP 2 obtain certification from the state or local government that the proposed activities are consistent with the jurisdiction's community development plan? For additional information on NSP see CRS Report RS22919, *Community Development Block Grants: Neighborhood Stabilization Program; Assistance to Communities Affected by Foreclosures*, by Eugene Boyd and Oscar R. Gonzales.

Home Investment Partnerships Program

Congress appropriated \$2.25 billion in funding for the HOME Investment Partnerships Program, to be distributed to states based on the share of HOME funding that each state and its

²¹ Under the existing statute (42 U.S.C. 53059a)(8)) and regulations (24 CFR 570.201(e)), state and local governments may not use more than 15% of their grant allocation for eligible public service activities. CDBG-funded public service activities must be a new service or quantifiable increase in an existing service beyond the amount funded with state or local sources during the previous 12 months. The statute does allow an exception to this provision if HUD determines that the decrease in services resulted from events that could not be controlled by the local government.

participating localities received in FY2008.²² However, rather than being used for traditional HOME program activities, all of the funding is to be used to provide gap financing for Low-Income Housing Tax Credit (LIHTC) projects.²³ State housing credit agencies will competitively award funds to projects that were awarded low-income housing tax credits between FY2007 and FY2009, giving priority to projects expected to be completed by 2012. The state housing credit agencies must commit 75% of the available funds by February 2010, and project owners must use 75% of the committed funds by February 2011 and 100% by February 2012. Projects generally must comply with the requirements of the LIHTC program rather than the requirements of the HOME program.²⁴

Homelessness Prevention Fund

As part of ARRA, Congress appropriated \$1.5 billion to be used for activities to prevent homelessness and for rapid re-housing to assist those who may become homeless. The funds are to be distributed to local communities (metropolitan cities and urban counties) and states for use in communities that do not receive their own funds through the Emergency Shelter Grants (ESG) program, which uses the CDBG formula to determine allotments. On February 25, 2009, HUD announced how the funds would be distributed.²⁵ Although funds will be distributed via the ESG formula, unlike the ESG program, where only 30% of funds may be used for homelessness prevention activities, all funds are to be used for activities to prevent homelessness or to quickly find housing for those who become homeless. Specifically, the law provides that funds may be used for short- or medium-term rental assistance, and for activities to help families find and maintain housing such as help with housing searches, outreach to landlords, credit repair, security or utility deposits, utility payments, first month's rent, and help with moving expenses. Grantees must expend at least 60% of funds within two years of the date that the funds are made available by HUD, and 100% of funds within three years.

Assisted Housing Stability and Energy and Green Retrofit Investments

ARRA provided \$2.25 billion for "Assisted Housing Stability and Energy and Green Retrofit Investments." Of that amount, \$2 billion is to be used for Section 8 project-based rental assistance contract renewals. As discussed earlier in this report, in the section entitled "Contract Renewal Funding", the amount of funding provided should be sufficient to allow HUD to resume full-year contract renewals with private property owners.

The remaining \$250 million is to be used for energy and green retrofit investments in assisted housing properties. Assisted housing properties include properties with Section 8 project-based

²² For more information on the HOME program, including its funding formula, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Katie Jones. For information about how HOME funds appropriated by ARRA will be distributed, see HUD's website, <http://www.hud.gov/recovery/tax-credit.cfm>. Although insular areas (American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands) usually receive HOME funding, they are not eligible to receive HOME funds under P.L. 111-5. Puerto Rico and the District of Columbia are considered states under the HOME program formula and will receive allocations of these funds.

²³ For information on the Low-Income Housing Tax Credit, see CRS Report RS22389, *An Introduction to the Design of the Low-Income Housing Tax Credit*, by Mark P. Keightley.

²⁴ An exception noted in the law is environmental compliance review, which must meet HOME program requirements.

²⁵ For information about how ESG funds will be distributed, see HUD's website, <http://www.hud.gov/recovery/homeless-prevention.cfm>.

rental assistance contracts, and properties with project-based rental assistance contracts provided under the Section 202 Housing for the Elderly program and the Section 811 Housing for Persons with Disabilities program. The bill specifies that the funds can be provided through grants or loans, but does not specify how HUD should allocate the funds. These funds will likely be administered through HUD's Office of Affordable Housing Preservation, as a part of their "Green Initiative," which is designed to "encourage owners and purchasers of affordable, multifamily properties to rehabilitate and operate their properties using sustainable Green Building principles."²⁶

Office of Lead Hazard Control and Healthy Homes

ARRA provided a supplementary appropriation of \$100 million for the Lead Hazard Reduction program to remain available until September 30, 2011. The act directs that grants from this appropriation be awarded first to applicants in FY2008 who upon review were found qualified for awards but who did not receive awards because of funding limitations. The remaining funds are to be awarded during the FY2009 round of funding. Each applicant in FY2009 must submit a detailed plan and strategy that demonstrates adequate capacity to carry out the proposed use of funds. Recipients of the funds must expend at least 50% of the funds within two years of the date the funds become available and must expend 100% within three years of that date. Funds that are not expended within the two-year period must be recaptured and reallocated to those that are in compliance. Funds that are not expended within the three-year period must be recaptured.

Office of Inspector General

ARRA included various provisions designed to provide enhanced oversight over the newly-appropriated funds, including funding for the Government Accountability Office and increased funding for Offices of Inspector General for many federal agencies.²⁷ It provided \$15 million for HUD's Office of the Inspector General, which is in addition to the Office's regular FY2009 funding.

General Provisions

During 2008, the FHA loan limits for one-family homes were set at the lesser of \$729,750 or 125% of the median home price for the area.²⁸ ARRA provides that the 2008 limits will apply for loans insured during calendar year 2009. In addition, HUD is given the discretionary authority to set limits at up to \$729,750 in sub-areas with higher costs. For example, in Durham, NC, the one-family loan limit is \$334,650 for 2009. When warranted by higher prices, HUD now has authority to set the limit at up to \$729,750 in sub-areas of Durham.

In prior years, Fannie Mae and Freddie Mac had a nationwide conforming loan limit, and during 2007 that limit was \$417,000 for one-family homes.²⁹ During 2008, the conforming loan limit varied by area and that limit was the greater of (1) \$417,000 or (2) the lesser of \$729,750 or

²⁶ For more information about this initiative, see <http://www.hud.gov/offices/hsg/omhar/paes/greenini.cfm>.

²⁷ For more information about oversight provisions, see CRS Report R40215, *General Oversight Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009: Brief Comparative Analysis of House and Senate Versions*, by Clinton T. Brass.

²⁸ Section 202 of P.L. 110-185, the Economic Stimulus Act of 2008.

²⁹ The conforming loan limit is the maximum mortgage that Fannie Mae and Freddie Mac can purchase.

125% of the median home price for the area.³⁰ ARRA provides that the 2008 limits will apply during calendar year 2009. In addition ARRA gives FHFA the discretionary authority to increase the limit to up to \$729,750 in sub-areas with higher median home prices.³¹

The loan limit for HECMs, the reverse mortgages insured by FHA, was set at \$417,000 in 2008. During 2009, ARRA increases the HECM loan limit to \$625,500.

CBO estimated that the increase in the conforming loan limit will cost \$37 million in FY2009 and \$13 million in FY2010.

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³⁰ Section 201 of P.L. 110-185, the Economic Stimulus Act of 2008.

³¹ Section 1203 of P.L. 111-5.